HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
MAY 22, 2013
APPLICATION SUMMARY

NAME OF PROJECT:	Select Specialty Hospital-Memphis
PROJECT NUMBER:	CN1212-062
ADDRESS:	5959 Park Avenue Memphis (Shelby County), TN 38119
LEGAL OWNER:	Select Specialty Hospital-Memphis, Inc. 5959 Park Avenue Memphis (Shelby County), TN 38119
OPERATING ENTITY:	N/A
CONTACT PERSON:	John Wellborn (615) 665-2022
DATE FILED:	December 14, 2012
PROJECT COST:	$6,898,392
FINANCING:	Cash Reserves
REASON FOR FILING:	Addition of twenty-eight (28) long term acute care hospital (LTACH) beds to its current LTACH

DESCRIPTION:

Select Specialty Hospital-Memphis is seeking approval for the addition of twenty-eight (28) long-term acute care beds to its current thirty-nine (39) bed LTACH located within St Francis Hospital. The applicant is also in the process of adding ten (10) beds pursuant to TCA 68-11-1607(8)(g) which permits a hospital with fewer than 100 beds to increase its total number of licensed beds by ten beds over any one year period without obtaining a Certificate of Need.. If approved, the final bed count for the facility will be seventy-seven (77) LTACH beds.

SPECIFIC CRITERIA AND STANDARDS REVIEW:

LONG TERM CARE HOSPITAL BEDS

A. Need

1. The need for long term care hospital (LTH) beds shall be determined by applying the guidelines of (0.5) beds per 10,000 population in the service area of the proposal.

   The bed need was calculated by the Tennessee Department of Health, Division for Policy, Planning and Assessment. The 2015 bed need for the applicant's proposed total service area is 122 beds. There are currently 105 licensed beds plus 34 approved but unimplemented beds in the service area for a total of 139 beds. The result is a bed surplus of seventeen (17) beds in the proposed service area.

   It appears that this criterion will not be met.

2. If the project is a bed addition, existing long term care hospital beds must have a minimum average occupancy of 85%.

   There are three long term care hospitals in the proposed service area. The applicant, Select Specialty Hospital–Memphis (39 beds), has experienced occupancy rates of 94.6% in 2009, 89.1% in 2010 and 94.6% in 2011. Methodist Extended Care (36 beds) operated at 89.5%, 86.6%, and 86.3% during the same time period. Baptist Memorial Restorative Care Hospital (30 beds) has operated at 85.2%, 73.2%, and 73.1% during this timeframe. Average areawide occupancy was 90.4% in 2009, declining to 83.7% in 32010, and increasing to 85.6% in 2011.

   It appears that this criterion has been met.

3. The population shall be the current year's population, projected two years forward.

   The Tennessee Department of Health, Division of Policy, Planning and Assessment utilized the applicant's projected total population of the total service area two years forward (2,433,814 residents in CY2015).

It appears that this criterion is met.

4. The primary service area cannot be smaller than the applicant's Community Service Area (CSA). If LTH beds are proposed within an existing hospital, CSAs served by the existing facility can be included along with consideration for populations in adjacent states when the applicant provides documentation (such as admission sources from the Joint Annual Report).

   The applicant states that it has conformed its West Tennessee service area to the boundaries of the West Tennessee CSA.

   It appears that this criterion is met.

5. Long-term care hospitals should have a minimum size of 20 beds.

   The applicant currently is licensed for 39 beds, has an additional 10 beds approved though the exemption for hospitals under 100 beds and is requesting 28 additional beds through this application.

   It appears that this criterion is met.

B. Economic Feasibility

1. The payer costs of a long-term hospital should demonstrate a substantial saving, or the services should provide additional benefit to the patient over the payer cost or over the provision of short-term general acute care alternatives, treating a similar patient mix of acuity.

   The applicant demonstrates that its gross average charge per patient day is significantly less than charges at service area short-term general acute care hospitals. Select had an average gross charge per patient day in 2011 of $4,111. Except for one short-term care hospital, area hospitals have average charges per day in the range of $5,781 to $9,387

   It appears that this criterion is met.

2. The payer costs should be such that the facility will be financially accessible to a wide range of payers as well as to adolescent and adult patients of all ages.

The applicant states that patients aged 18+ are enrolled in Medicare, Commercial, and Medicaid programs. The applicant also notes that it only contracts with one TennCare MCO in the service area, BlueCare. The applicant also stated that admissions are available on a negotiated basis with United Healthcare Community Plan and a contract request was declined by TennCare Select. The applicant also notes that it takes admissions on a negotiated basis from the Arkansas and Mississippi Medicaid programs.

It appears that this criterion has been met.

3. Provisions will be made so that a minimum of 5% of the patient population using long-term acute care beds will be charity or indigent care.

The applicant states that even though its Historical and Projected Data Charts do not reflect charity or indigent care, it does note that it has provided uncompensated care in excess of 5% in each of the three years 2009-2011. .

Since these uncompensated days of care are not directly related to charity or indigent care, it appears that this criterion has not been met.

C. Orderly Development

1. Services offered by the long term care hospital must be appropriate for medically complex patients who require daily physician intervention, 24 hours access per day of professional nursing (requiring approximately 6-8 hours per patient day of nursing and therapeutic services), and on-site support and access to appropriate multi-specialty medical consultants.

The applicant states that Select Specialty Hospital-Memphis is located within a 24-hour hospital with a full array of acute care physician specialties available. The applicant states that it provides 12.87 hours per patient day of nursing and therapeutic services.

It appears that this criterion is met.

Patient services should be available as needed for the most appropriate provision of care. These services should include restorative inpatient medical care, hyperalimentation, care of ventilator dependent patients, long term antibiotic therapy, long-term pain control, terminal AIDS care, and management of infectious and pulmonary diseases.

Select Specialty Hospital-Memphis is an existing LTACH provider that is already providing these services.

It appears that this criterion is met.

Also, to avoid unnecessary duplication, the project should not include services such as obstetrics, advanced emergency care, and other services which are not operationally pertinent to long term care hospitals.

The applicant states that Select Specialty Care-Memphis will never provide services not appropriate for long term acute care hospitals.

It appears that this criterion is met.

2. The applicant should provide assurance that the facility's patient mix will exhibit an annual average aggregate length of stay greater than 25 days as calculated by the Health Care Finance Administration (HCFA), and will seek licensure only as a hospital.

Select Specialty Hospital-Memphis has maintained an average length of stay in the range of 28.7 to 32.2 days over the last four years.

It appears that this criterion is met.

3. The applicant should provide assurance that the projected caseload will require no more than three (3) hours per day of rehabilitation.

The applicant's rehabilitation hours per patient day has ranged between 3.03 and 3.23 over the past two years.

It appears that this criterion is met.

4. Because of the very limited statewide need for long term hospital beds, and their high overall acuity of care, these beds should be allocated only to community service areas and be either inside or in close proximity to tertiary referral hospitals, to enhance physical accessibility to the largest concentration of services, patients, and medical specialists.

   The applicant states that it is located within the West Tennessee CSA and is within five miles of three tertiary hospitals.

   It appears that this criterion is met.

5. In order to insure that the beds and the facility will be used for the purpose certified, any certificate of need for a long term care hospital should he conditioned on the institution being certified by the Health Care Financing Administration as a long term care hospital, and qualifying as PPS-exempt under applicable federal guidelines. If such certification is received prior to the expiration date of the certificate of need, as provided in Tennessee Code Annotated (TCA), Section 68-11-108(c), the certificate of need shall expire, and become null and void.

   The applicant states it is presently certified as a long term acute hospital and qualified as PPS-exempt.

   It appears that this criterion is met.

SUMMARY:

The applicant, Select Specialty Hospital-Memphis, is currently a thirty-nine (39) bed long term acute care hospital (LTACH) located on the 12th floor of St. Francis Hospital at 5959 Park Avenue in Memphis (Shelby County). The applicant is requesting twenty-eight (28) additional LTAC beds to be placed on the 11th floor of St. Francis Hospital. Per TCA 68-11-1607(8)(g) "A hospital with fewer than one hundred (100) beds may increase its total number of licensed beds by ten (10) over any period of one (1) year without obtaining a certificate of need. The hospital shall provide written notice of the proposed increase in beds to the agency on forms provided by the agency, prior to the hospital's request for review to the board of licensing health care facilities". The applicant notified the

Agency of its intent to add ten (10) LTAC beds on October 5, 2012. The applicant expects to also place these 10 beds on the 11th floor resulting in a 38 bed floor. Taking the current 39 licensed beds, adding the additional 10 beds exempted from CON review plus the 28 beds being requested in this application, if approved, the result will be a 77 bed LTACH. The applicant has also stated that St. Francis Hospital will delicense the same number of acute care hospital beds on the 11th floor that Select will re-license as long term acute care.

Note to Agency members: All existing LTACHs (except one) in the service area are under 100 beds, so that all existing LTACHs (except one) are eligible to add 10 licensed beds without a CON if they so choose. (Exception: CN1210-052, Memphis Long Term Care Specialty Hospital has a condition that the addition of any beds requires a CON)

The 11th floor of St. Francis Hospital is currently an acute care nursing unit consisting of 38 private rooms. The floor contains 21,677 square feet. The applicant states that the 11th floor is older space that has not been updated for many years and requires remodeling and renovation. The renovation will consist of updating the wall, floor, and ceiling surfaces, cabinetry, and fixtures, and allowing for plumbing, HVAC, and electrical work. Select Specialty Hospital- Memphis will lease the additional space from St. Francis Hospital.

The applicant states the following reasons for why the project is needed:

- There are only three LTAC facilities in the service area operating at an average occupancy rate of 86.3%
- Select Specialty Hospital-Memphis is operating above 93% occupancy
- This project should not impact existing providers. The Baptist and Methodist LTAC facilities have high utilization. The 24-bed LTACH at the Regional Medical Center of Memphis (The MED), an approved but yet to be implemented project, expects to be fully occupied by The MED acute care patients.

Select Specialty Hospital-Memphis (SSH-M) was originally established through a CON issued to St. Francis Hospital, CN9406-032A, on September 28, 1994 for the establishment of a thirty (30) bed long-term acute care hospital. It appears that Select Specialty acquired the LTACH in 1998. SSH-M is wholly owned by Select Medical Corporation. According to its website Select Medical Corporation (SMC) operates long-term acute care hospitals, medical rehabilitation hospitals or physical therapy outpatient clinics in over 30 states. In addition to Select

Specialty Hospital-Memphis, Select Medical Corporation operates four other LTACHs in Tennessee: Select Specialty Hospital-Nashville (57 beds), Select Specialty Hospital-Knoxville (35 beds), Select Specialty Hospital-North Knoxville (33 beds), and Select Specialty Hospital-TriCities (33 beds).

Long-term acute care hospitals (LTACHs) provide extended medical and rehabilitative care to individuals with clinically complex problems, such as multiple acute or chronic conditions, that require hospital-level care for relatively extended periods. Typical conditions suitable for admission to LTACH include chronic respiratory disorders and other pulmonary conditions; cardiac, neurological, and renal conditions, infections and severe wounds. A facility must meet Medicare's conditions of participation for acute care hospitals and have an average inpatient length of stay greater than 25 days to qualify as an LTACH for Medicare payment. CMS established regulations to prevent general acute care hospitals from operating LTACHs, but a separate "hospital within a hospital" can qualify, which is the category in which the applicant facility falls.

There are other limitations by CMS regarding source of admissions that LTACHs must follow known as the "25% Rule". In the first supplemental response the applicant points out that this rule limits the percentage of admissions that can be referred from the Host hospitals, which for the applicant is St. Francis Hospital. The applicant states that through November 30, 2013 50% of its Medicare admissions may be referred from St. Francis. After December 1, 2013 that percentage reduces to 25%. The applicant states that historically approximately 20% of its admissions are referred from St. Francis so that Select is in compliance with the referral limitation rules of Medicare. The applicant also discusses being in compliance with referral limitations regarding Baptist and Methodist hospitals.

The applicant also points out in the first supplemental response that CMS (Centers for Medicare and Medicaid Services) established a three year moratorium that began on December 29, 2007 on the designation of new LTACHs or LTACH satellites or an increase of beds in an existing LTACH. On July 23, 2010 the moratorium was extended with an expiration date of December 29, 2012. It is unknown if the moratorium will be re-instituted at a future date but the applicant believes that providers should be ready to occupy needed beds after the moratorium expires. Legislation will need to be introduced and passed in 2013 to re-establish the moratorium. The applicant indicates there is currently an opportunity to add needed LTACH beds during this period.

The applicant states that the SSH-M's primary service area includes two counties in Arkansas (Crittenden and St. Francis), seven counties in Mississippi (Alcorn, DeSoto, Lafayette, Lee, Marshall, Panola, and Tate); and eight counties in Tennessee (Dyer, Fayette, Gibson, Lauderdale, Madison, McNairy, Shelby, and Tipton). The applicant reports that the primary service area counties account for over 85% of admissions and are distributed as displayed in the table below:

Patient Origin	% Admissions	Cumulative %
Shelby, TN	56.1%	56.4%
DeSoto, MS	7.4%	63.8%
Tipton, TN	2.4%	66.2%
Madison, TN	2.1%	68.3%
Fayette, TN	2.0%	70.3%
Marshall, MS	1.8%	72.1%
Dyer, TN	1.8%	73.9%
Tate, MS	1.4%	75.3%
Panola, MS	1.4%	76.7%
Alcorn, MS	1.2%	77.9%
Lee, MS	1.2%	79.1%
Lafayette, MS	1.1%	80.2%
Crittenden, AR	1.1%	81.3%
Gibson, TN	1.1%	82.4%
St. Francis, AR	0.9%	83.3%
Lauderdale, TN	0.9%	84.2%
McNairy, TN	0.9%	85.1%
Secondary Service Area	11.1%	96.2%
Tertiary Service Area	3.8%	100.0%

Source: CN112-062

According to population estimates by the Division of Health Statistics, Tennessee Department of Health (TDOH), the total population of the Tennessee portion of the service area is expected to increase by approximately 1.5% from 1,607,999 residents in CY 2013 to 1,632,644 residents in CY2015. The State of Tennessee population is expected in increase by approximately 1.8% from 6,414,297 in 2013 to 6,530,459 in 2015.

The following table displays demographic statistics for all the counties in the applicant's primary service area based on US Census data and for the Tennessee counties only, TennCare statistics.

Geography	2010 Pop.	2012 Pop.	10 - '12 % Change	Age 65+ % Total	Median HH Income	% Below Poverty Level	TNCare Enrollees	TNCare Enrollees As % of Total Pop.
Tennessee	**6,346,113**	**6,456,113**	**1.7%**	**13.7%**	**43,989**	**16.9%**	**1,205,480**	**18.7%**
Dyer	38,337	38,255	-0.2%	14.8%	38,409	19.2%	9,392	24.6%
Fayette	38,413	38,659	0.6%	15.5%	57,437	11.7%	5,645	14.6%
Gibson	49,683	49,626	-0.1%	16.6%	37,577	17.9%	11,075	22.3%
Lauderdale	27,815	27,718	-0.3%	12.7%	34,078	25.3%	7,216	26.0%
Madison	98,294	98,656	0.4%	13.5%	40,667	19.2%	21,111	21.4%
McNairy	26,075	26,180	0.4%	17.7%	34,953	22.5%	6,950	26.5%
Shelby	927,640	940,764	1.4%	10.4%	46,102	20.1%	230,486	24.5%
Tipton	61,081	61,705	1.0%	11.4%	50,869	15.3%	11,675	18.9%
Arkansas	**2,915,919**	**2,949,131**	**1.1%**	**14.6%**	**40,149**	**18.4%**		
Crittenden	50,902	50,021	-1.7%	11.1%	35,624	27.9%		
St. Francis	28,258	27,858	-1.4%	12.6%	26,260	29.7%		
Mississippi	**2,967,299**	**2,984,926**	**0.6%**	**13.0%**	**38,718**	**21.6%**		
Alcorn	37,057	37,164	0.3%	16.2%	32,221	20.2%		
DeSoto	161,256	166,234	3.1%	10.5%	59,734	9.5%		
Lafayette	47,357	49,495	4.5%	10.6%	41,166	23.8%		
Lee	82,910	85,042	2.6%	13.1%	41,150	18.2%		
Marshall	37,143	36,612	-1.4%	13.3%	33,279	24.2%		
Panola	34,701	34,473	-0.7%	13.0%	34,592	28.1%		
Tate	28,886	28,490	-1.4%	13.1%	41,839	18.1%		

Source: US Census Bureau, TennCare

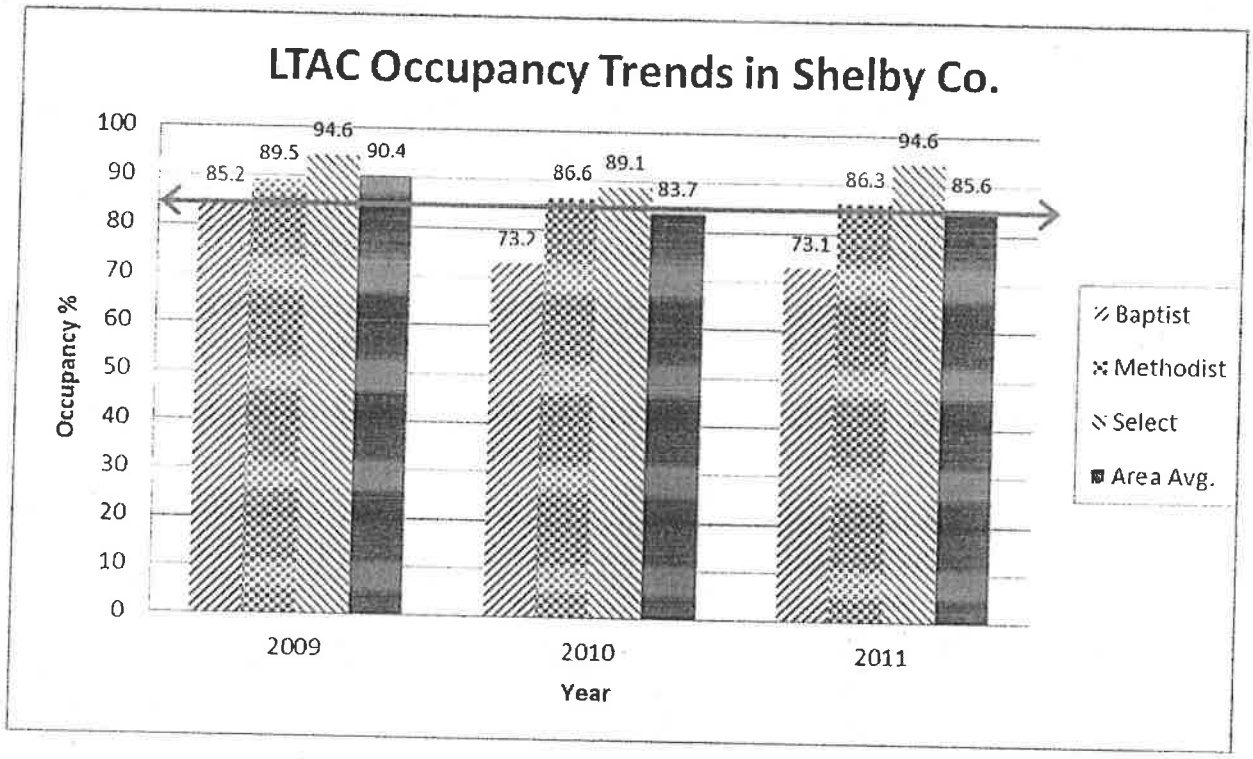
The chart above indicates that all the Tennessee counties in the service area are growing (or declining) at rates less than the Tennessee average, four of the eight Tennessee counties have a higher proportion of Age 65+ population than Tennessee overall, Five of the eight counties have a median household income below the Tennessee median, and six counties have a higher percentage of population below the poverty level than Tennessee overall. The population of the two counties in Arkansas is expected to decline, have a smaller percentage of population Age 65+ than Arkansas overall, have median income below the State median and a greater % of population below the poverty level. Three of the seven Mississippi counties in the service area are expected to have populations that increase more than the state of Mississippi overall. Five of the seven counties have an Age 65+ population equal to or greater than the State

percentage. Three of the counties have a population percentage above the poverty level for the state overall. Seven of the eight Tennessee primary service area counties have a higher percentage of TennCare recipients than the state overall.

The bed need formula from the project specific criteria for long term care hospitals in Tennessee's Health Guidelines for Growth, 2000 Edition, is based upon a ratio of 0.5 beds per 10,000 population *(2 years forward from the current population)* in the service area of the proposal. Using the declared service area population for CY2015 the applicant estimated a need for 122 total LTAC beds. This amount less the number of existing licensed and approved but yet to be implemented LTAC beds (139 *total beds),* accounts for the applicant's estimate that there will be a projected surplus of 17 LTAC beds in the proposed service area. The TDOH project summary reported the same bed need results.

There are three long term care hospitals operating in the proposed service area. The applicant, SSH-M (39 beds plus 10 beds approved but unimplemented per the "Hospital Under 100 bed exemption"), Methodist Extended Care (36 beds), Baptist Memorial Restorative Care Hospital (30 beds). The MED has an outstanding CON for the relocation of approved but unimplemented 24 bed LTACH to its campus (CN1210-052A), resulting in 105 licensed LTACH beds and 34 approved but unimplemented LTACH beds for a total of 139 LTACH beds in the service area. The applicant also notes that there are LTACHs in Nashville, Arkansas, and Mississippi but points out that only three of the twenty-one west Tennessee counties in the service area have a shorter driving time to Nashville than Memphis and all but two of the twenty-one Arkansas and Mississippi counties in the declared project service area are closer to Memphis than to LTACHs in their home states.

The occupancy trends for the existing LTACHs with comparison to the LTACH's criteria and standards' occupancy guideline of 85% are displayed in the following graph.



As the chart above displays, two of the three existing LTACHs have attained the occupancy standard of 85% and the overall annual average occupancy for the three facilities was 85.6% in 2011.

The first year after project completion (2014), the applicant expects the 77 bed LTACH to attain an occupancy rate of 68.8% and increase to 76.6% in 2015. By the fourth year of operation (2017) the applicant expects to attain an occupancy rate of 93.8%. The applicant expects that outreach marketing in Mississippi, Arkansas, and rural west Tennessee will support the projected increase in admissions.

According to the Projected Data Chart for the proposed twenty-eight (28) beds, the applicant expects gross operating revenue of $18,561,633.00 on 4,088 patient days in Year One of the project increasing by approximately 57% to $29,145,658 ($4,670 per patient day) in Year Two. The proposed LTAC bed addition expects to realize favorable operating margins before capital expenditures at an initial level of approximately 4.47% of total net operating revenue in the first year of operations.

For the total 77 bed facility after project completion, the applicant expects gross operating revenue of $87,875,704 on 19,435 patient days in Year 1 and expects to increase 14.6% to $100,672,847 on 21,535 patient days in the second year of operation. The LTACH after project completion expects to realize favorable operating margins before capital expenditures at an initial level of approximately 4.7% of total net operating revenue in the first year of operations.

Historically SSH-M has had a payor mix that included 80% Medicare and 3.3% TennCare/Medicaid. The applicant expects this payor mix to remain the same after project completion.

One of the criteria in the LTACH criteria and standards in the State Health Plan indicates that payer costs in LTACHs should demonstrate a substantial savings compared to the payor costs of a short term general acute care hospital. Utilizing Joint Annual Report data the average gross charge per patient day for the LTACHs in Shelby County ranged from $3,318 to $5,365 averaging $4,228 per day. The average gross charge per patient day for short-term acute care hospitals in Shelby County ranged from $2,626 to $9,387 averaging $7,279 per day.

According to the Historical Data Chart, Select Specialty Hospital-Memphis has been profitable for each of the last three years reporting favorable net operating income (NOI) after capital expenditures of $3,191,077.00 in 2009; $1,882,659.00 in 2010; and $1,089,237.00 in 2011. Average annual NOI was favorable at approximately 5.3% of annual net operating revenue for the year 2011.

The total estimated project cost is $6,898,905. Over 47% of the project cost is facility lease cost ($3,251,550) and another 30% of the cost is construction cost ($2,059,315). Moveable equipment accounts for another 18% of the total project cost ($1,059,315).

The applicant will be renovating the 21,677 square foot 11th floor of St. Francis Hospital for the proposed project. The facility renovation is estimated at $2,059,315 or approximately $95.00 per square foot. The projected cost per square foot is less than the 1st quartile cost of $125.84 for approved hospital renovation projects between 2009 and 2011.

The applicant has provided a letter dated December 20, 2012 from Brasfield and Gorrie, General Contractors that indicates the proposed renovation will meet all

applicable federal, state, and local requirements including the current AIA Guidelines for Design and Construction of Health Care Facilities.

Funding support for the project is available from the corporate parent of SSH-M, Select Medical Corporation, per a letter dated December 14, 2012 from the Executive Vice President & CFO attesting to the availability of $3,647,000.00 from cash reserves and operating income to fund the proposed project.

Select Medical Corporation (Memphis) reported total assets of $17,665,966.85, including $2,601,862.66 in current assets, for the period ending October 31, 2012. Total current liabilities were ($412,519.24). The current liabilities include $1,825,872.01 due from a third party payor. When this amount is excluded from current liabilities the current ratio is lowered to 1.84 to 1. Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

The applicant also included financial statements for Select Medical Corporation. Review of the balance sheet revealed current assets of $483,410,000.00 and current liabilities of $386,062,000.00 for the 12-month fiscal year (FY) period ending December 31, 2011. Review of the Consolidated Statements of Operations revealed net total revenue of $2,804,507,000.00 and net income of $112,762,000.00 after depreciation and income tax expense during the period. Basic and diluted income per common share rose from .61 cents in 2009 to .71 cents in 2011.

The SSH-M's current staffing is 128.2 FTEs and is expected to increase by 55.8 FTEs by the second year of operation. The largest increases are RNs, 39.6 FTEs increasing by 23.3 FTEs to 62.9 FTEs and CNAs, 30.6 FTEs increasing by 15.7 FTEs to 46.3 FTEs

The applicant has submitted the required corporate documentation, real estate option to lease and requisite demographic information for the applicant's proposed service area. HSDA staff has reviewed these documents. Staff will have a copy of these documents available for member reference at the meeting. Copies are also available for review at the Health Services and Development Agency office.

Should the Agency vote to approve this project, the CON would expire in three years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT

There are no other Letters of Intent, denied or pending applications for this applicant.

Outstanding Certificates of Need

Select Specialty Hospital-Nashville, CN1210-053A, has an outstanding Certificate of Need which will expire on April 1, 2016. It was approved at the February 27, 2013 Agency meeting for the addition of thirteen (13) long term acute care (LTAC) beds to its current forty-seven (47) bed LTAC hospital. The applicant is also in the process of adding ten (10) beds through the exemption for hospitals with less than 100 beds. If approved, the final bed count for the facility will be seventy (70) LTAC beds. The estimated cost of the project is **$3, 4853,811.00.** *Project Status: This project was recently approved.*

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, pending or denied applications for other health care organizations in the service area proposing this type of service.

Memphis Long Term Care Specialty Hospital, CN1210-052A, has an outstanding Certificate of Need which will expire on February 1, 2016. It was approved at the December 12, 2012 Agency meeting for the relocation of a previously approved but unimplemented CON (CN0908-046AE) for a twenty four (24) bed long-term care acute care hospital (LTACH) from the intersection of Kirby Parkway and Kirby Gate Boulevard, Memphis (Shelby County) to an existing building on the campus of the Regional Medical Center at Memphis (The MED), 877 Jefferson Avenue, Memphis (Shelby County). The LTACH will be placed on the 4th floor of the Turner Tower and will be a separately licensed hospital from The MED. The estimated cost of the project is **$8,208,743.00**. *Project Status: This project was recently approved.*

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

MAF
05/07/2013

LETTER OF INTENT

LETTER OF INTENT -- HEALTH SERVICES & DEVELOPMENT AGENCY

2012 DEC 10 AM 9:54

The Publication of Intent is to be published in the Memphis Commercial Appeal, which is a newspaper of general circulation in Shelby County, Tennessee, on or before December 10, 2012, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Select Specialty Hospital-Memphis (a long term acute care hospital), owned and managed by Select Specialty Hospital-Memphis, Inc. (a corporation), intends to file an application for a Certificate of Need to add twenty-eight (28) long term acute care beds to its facility, located in leased space at St. Francis Hospital, 5959 Park Avenue, Memphis, TN 38119. The project cost for CON purposes is estimated at $6,900,000. The project contains no major medical equipment and does not add or discontinue any new health service.

Select Specialty Hospital is currently licensed by the Board for Licensing Healthcare Facilities (TN Department of Public Health) for thirty-nine (39) long term acute care beds. Select Specialty has received State approval for licensure of ten (10) additional long term acute care beds without CON review, under a statutory exemption available to hospitals of fewer than 100 beds. Upon its implementation, Select will be licensed for forty-nine (49) long term acute care beds, so that the twenty-eight (28) bed expansion proposed in this Certificate of Need application would increase the Select license to seventy-seven (77) long term acute care beds. St. Francis Hospital, which is leasing these beds to Select, will reduce its current 519-bed general hospital license by 10 beds to reflect the approved 10-bed expansion of Select through the CON exemption process, and will reduce its license by 28 more beds if this CON application is approved. The net effect of these changes will be that the project will not change the service area's total licensed complement of general acute care plus long term acute care hospital beds. The anticipated date of filing the application is on or before December 14, 2012. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 203, Nashville, TN 37215; (615) 665-2022.

John L. Wellborn 12-9-12 jwdsg@comcast.net

(Signature) (Date) (E-mail Address)

ORIGINAL APPLICATION

SELECT SPECIALTY HOSPITAL MEMPHIS

CERTIFICATE OF NEED APPLICATION TO ADD 28 LONG TERM ACUTE CARE BEDS

Submitted December 2012

1. ***Name of Facility, Agency, or Institution***

Select Specialty Hospital--Memphis
Name

5959 Park Avenue
Street or Route

Shelby
County

Memphis
City

TN
State

38119
Zip Code

2. ***Contact Person Available for Responses to Questions***

John Wellborn
Name

Title

Development Support Group
Company Name

jwdsg@comcast.net
Email address

4219 Hillsboro Road, Suite 203
Street or Route

Nashville
City

TN
State

37215
Zip Code

CON Consultant
Association with Owner

615-665-2022
Phone Number

615-665-2042
Fax Number

3. ***Owner of the Facility, Agency or Institution***

Select Specialty Hospital--Memphis, Inc.
Name

901-761-3013
Phone Number

5959 Park Avenue
Street or Route

Shelby
County

Memphis
City

TN
State

38119
Zip Code

4. ***Type of Ownership of Control (Check One)***

A. Sole Proprietorship		F. Government (State of TN or Political Subdivision)	
B. Partnership		G. Joint Venture	
C. Limited Partnership		H. Limited Liability Company	
D. Corporation (For Profit)	✓	I. Other (Specify)_____	
E. Corporation (Not-for-Profit)			

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5. ***Name of Management/Operating Entity (If Applicable)***

NA
Name

Street or Route

County

City

State

Zip Code

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. ***Legal Interest in the Site of the Institution (Check One)***

A. Ownership
B. Option to Purchase
C. Lease of 5 Years
D. Option to Lease
E. Other (Specify) _____

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

7. ***Type of Institution (Check as appropriate--more than one response may apply)***

A. Hospital (Specify)
B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty
C. ASTC, Single Specialty
D. Home Health Agency
E. Hospice
F. Mental Health Hospital
G. Mental Health Residential Treatment Facility
H. Mental Retardation Institutional Habilitation Facility (ICF/MR)
I. Nursing Home
J. Outpatient Diagnostic Center
K. Recuperation Center
L. Rehabilitation Facility
M. Residential Hospice
N. Non-Residential Methadone Facility
O. Birthing Center
P. Other Outpatient Facility (Specify)_____
Q. Other (Specify) _____

8. **Purpose of Review *(Check) as appropriate--more than one response may apply)***

A. New Institution
B. Replacement/Existing Facility
C. Modification/Existing Facility
D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) (Specify)_____
E. Discontinuance of OB Services
F. Acquisition of Equipment
G. Change in Bed Complement *[Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation]* ✓
H. Change of Location
I. Other (Specify)_____

9. **Bed Complement Data**

Please indicate current and proposed distribution and certification of facility beds.

		Current Beds Licensed	Current Beds *CON	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A.	Medical					
B.	Surgical					
C.	Long-Term Care Hospital	39	10	39	28	77
D.	Obstetrical					
E.	ICU/CCU					
F.	Neonatal					
G.	Pediatric					
H.	Adult Psychiatric					
I.	Geriatric Psychiatric					
J.	Child/Adolescent Psychiatric					
K.	Rehabilitation					
L.	Nursing Facility (non-Medicaid Certified)					
M.	Nursing Facility Level 1 (Medicaid only)					
N.	Nursing Facility Level 2 (Medicare only)					
O.	Nursing Facility Level 2 (dually certified Medicaid/Medicare)					
P.	ICF/MR					
Q.	Adult Chemical Dependency					
R.	Child and Adolescent Chemical Dependency					
S.	Swing Beds					
T.	Mental Health Residential Treatment					
U.	Residential Hospice					
	TOTAL	39	10	39	28	77

*CON-Beds approved but not yet in service

10. **Medicare Provider Number** 44-2014
Certification Type long term care hospital

11. **Medicaid Provider Number** 044-2014
Certification Type long term care hospital

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?** p. 4

13. ***Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.*** **Will this project involve the treatment of TennCare participants?** p. 4 **If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted *or plans to contract.***

Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

A.12. IF THIS IS A NEW FACILITY, WILL CERTIFICATION BE SOUGHT FOR MEDICARE AND/OR MEDICAID?

This is an existing facility, already certified for Medicare and Medicaid. No change in certification is anticipated.

A.13. IDENTIFY ALL TENNCARE MANAGED CARE ORGANIZATIONS / BEHAVIORAL HEALTH ORGANIZATIONS (MCO'S/BHO'S) OPERATING IN THE PROPOSED SERVICE AREA. WILL THIS PROJECT INVOLVE THE TREATMENT OF TENNCARE PARTICIPANTS? Yes IF THE RESPONSE TO THIS ITEM IS YES, PLEASE IDENTIFY ALL MCO'S WITH WHICH THE APPLICANT HAS CONTRACTED OR PLANS TO CONTRACT.

DISCUSS ANY OUT-OF-NETWORK RELATIONSHIPS IN PLACE WITH MCO'S/BHO'S IN THE AREA.

Approximately 75%-80% of an LTACH's admissions tend to be elderly, and include patients who are also Medicaid-eligible. Select Specialty Hospital-Memphis is currently contracted with the BlueCare TennCare MCO--which has West Tennessee's largest enrollment. Select is also contracted with TennCare Select.

TennCare and Medicaid patients from Mississippi and Arkansas are accepted on an individually negotiated basis.

The applicant's Medicaid days of care the past two years have averaged between 3% and 4% of its total days of care.

Table One: Contractual Relationships with Service Area MCO's	
Available TennCare MCO's	**Applicant's Relationship**
BlueCare (largest plan in W. TN)	Contracted
United Healthcare Community Plan (formerly AmeriChoice) (2nd largest plan)	Not contracted; admissions available on a negotiated basis
TennCareSelect (very small enrollment)	Contracted

SECTION B: PROJECT DESCRIPTION

B.I. PROVIDE A BRIEF EXECUTIVE SUMMARY OF THE PROJECT NOT TO EXCEED TWO PAGES. TOPICS TO BE INCLUDED IN THE EXECUTIVE SUMMARY ARE A BRIEF DESCRIPTION OF PROPOSED SERVICES AND EQUIPMENT, OWNERSHIP STRUCTURE, SERVICE AREA, NEED, EXISTING RESOURCES, PROJECT COST, FUNDING, FINANCIAL FEASIBILITY AND STAFFING.

Proposed Services and Equipment

• The applicant is a Long Term Acute Care Hospital ("LTACH"). That is a special category of small Medicare-certified hospitals. They admit primarily (but not only) vulnerable Medicare patients who need prolonged inpatient acute care (25+ days), after discharge from a short acute care stay at a general hospital.

• The 39-bed Select Specialty Hospital is the largest LTACH in Memphis. All 39 of its beds are in leased space on the 12th floor of St. Francis Hospital in East Memphis. Recently, Select Specialty received approval to add 10 beds (under an exemption from CON). St. Francis has agreed to lease its vacant 38-bed 11th floor to Select, for that expansion. Ten more beds can now be licensed to Select immediately. However, the entire floor needs updating through renovation and remodeling. This application is to license the remaining 28 beds on that 11th floor, which if approved will allow Select to renovate the entire 38-bed floor before moving many new patients onto the floor.

• St. Francis has agreed to delicense on this floor the same number of short term hospital beds that Select will re-license as long term acute care. So the project will not increase the area's total of long term plus short term hospital beds, or construct new bed space.

Ownership Structure

• Select Specialty Hospital--Memphis, Inc., the applicant, is wholly owned by Select Medical Corporation, a national LTACH company with five Tennessee facilities. Attachment A.4 contains information on the five Tennessee facilities it owns in Memphis, Nashville, Knoxville (2), and Tri-Cities.

• The facility is self-managed. It has no management contract with its parent company. The parent company provides certain support services to its hospitals, for which the hospitals are billed as "management fees", but at Select that is a practical business term and does not indicate a legal relationship other than normal parent-subsidiary ownership.

Service Area

• LTACH's typically have extensive service areas because they are located in cities with tertiary care centers that admit patients from a wide geographic service area, and then discharge some of those patients to LTACH's to continue prolonged acute care.

• During the past three years, Select Specialty Hospital has had a primary service area (85% of admissions) consisting of 17 contiguous counties in West Tennessee, Mississippi, and Arkansas (all closer to Memphis than to other cities with LTACH's). It

has had a primary and secondary service area (96.7% of admissions) consisting of 43 contiguous counties in those States (all but a few of which are closer to Memphis than to alternative LTACH's). It admitted patients from 78 counties in eight States.

Need

• There are only three LTACH's in the entire primary and secondary service area, and all of them are in Memphis. In the most recent reporting year, their Joint Annual Reports showed an average occupancy of 86.3%. Select is the largest and busiest of the Memphis LTACH's, and its occupancy over the past forty-eight months has averaged higher 93%. The smallest and least occupied is at 75.5% occupancy and will be at 85% occupancy with an additional census of only 28 patients.

• At such high occupancies, additional LTACH beds are appropriate. Although the LTACH bed need formula in the Guidelines for Growth does not indicate "need" for more beds, the same Guidelines allow the HSDA to consider bed additions once areawide LTACH occupancy reaches 85%--which has been exceeded in Memphis for at least three years.

• It is also relevant that the CON statute allows small hospitals (<100 beds) to add 10 beds every year without CON approval. Without CON, the 38 total beds Select can lease on this floor could be added in stages each year, until all 38 are licensed in early CY2016—only three years from now. But staging bed licensure will require staged renovation around patients being hospitalized on that floor. The alternative requested in this application is to let Select lease and license the remaining 28 beds from St. Francis without delay, making it feasible to invest in renovating the entire floor at the same time.

Existing Resources

• The LTACH's in the service area last reported a combined average occupancy of 86.3%. They are Select Specialty Hospital-Memphis (39 beds; 94.6% occupancy); Methodist Extended Care Hospital (36 beds; 86.3% occupancy); and Baptist Memorial Restorative Care Hospital (30 beds; 75.5% occupancy).

Project Cost, Funding, Financial Feasibility

• The actual capital cost of the project is estimated at $3,646,842. The CON cost, which includes the estimated value of the space being leased from St. Francis, is $6,898,842. The capital cost can be provided from the hospital's current assets. It could also be provided by a cash transfer from the parent company. Select Specialty Hospital--Memphis now operates with a positive margin and will continue to do so as it expands. The project is a small expenditure for an acute care facility and it will not raise the cost of care to Medicare or other payors. St. Francis Hospital itself would have to spend a similar amount of money to update and use the floor in the future, if Select were not leasing it.

Staffing

• The hospital projects that by Year Two of the expanded 77-bed complement, 55.8 additional employees will be required.

B.II. PROVIDE A DETAILED NARRATIVE OF THE PROJECT BY ADDRESSING THE FOLLOWING ITEMS AS THEY RELATE TO THE PROPOSAL.

B.II.A. DESCRIBE THE CONSTRUCTION, MODIFICATION AND/OR RENOVATION OF THE FACILITY (EXCLUSIVE OF MAJOR MEDICAL EQUIPMENT COVERED BY T.C.A. 68-11-1601 *et seq.)* INCLUDING SQUARE FOOTAGE, MAJOR OPERATIONAL AREAS, ROOM CONFIGURATION, ETC.

Table Two: Summary of Construction and Changes in Size	
	Total Square Feet
Facility Before Project	21,677 SF (12th floor of host hospital)
Facility After Project	43,354 SF (11th & 12th floors of host)
Area of New Construction	none
Area of Buildout or Renovation	21,677

Table Three: Construction Costs of This Project			
	Renovated Constuction	**New Construction**	**Total Project**
Square Feet	21,677 SF	none	21,677 SF
Construction Cost	$2,059,315	none	$2,059,315
Constr. Cost PSF	$95	none	$95

Select Specialty Hospital--Memphis ("Select Specialty") is licensed to operate a 39-bed long term acute care hospital ("LTACH") in Memphis. It is located at St. Francis Hospital, from whom Select Specialty leases the entire 39-bed 12th floor. Among Memphis's three operational LTACH's, Select Specialty is by far the most highly utilized, both in terms of annual patients served, and also in terms of occupancy (93% average over the past 48 months).

In December 2012, having higher than 90% occupancy during the past four-year period, Select Specialty requested and received HSDA approval to add 10 beds to its licensed complement without CON review, under a statutory exemption available to hospitals of fewer than 100 beds. However, no more beds are available on the 12th floor. So St. Francis has agreed to expand Select Specialty's leased space to include the

hospital's vacant 11th floor immediately below. The 11th floor is an acute care nursing unit consisting of 38 private rooms. It is older space that has not been updated for many years. It will require remodeling and renovation, but its floor plan need not be changed significantly. Because future bed expansions are anticipated, Select Specialty hopes to update the entire 38-bed 11th floor at one time, prior to occupying even the 10 recently approved beds, so that construction will not be required on an operational patient floor.

Select Specialty estimates that the 11th floor can be brought up to standards at an overall renovation cost of no more than $95 PSF, which will update the wall, floor, and ceiling surfaces, cabinetry, and fixtures, and allow for plumbing, HVAC, and electrical work. It will also cover heavier renovation if that is found to be needed. Tables One and Two below show the current and proposed floor space of the facility, and the projected cost of the renovation required to modernize it into LTACH space meeting Select Specialty's standards.

(Note: CMS is the Federal Center for Medicare/Medicaid Services; replacement for HCFA) In 2008, CMS placed a moratorium on Medicare certification of additional LTACH beds nationwide. This was extended once and is now scheduled to expire December 31, 2012. The Medicare moratorium may or may not be extended; but the applicant sees that as irrelevant to a CON decision on this application, because its future is unpredictable, and because Tennessee can license the beds it chooses regardless of when they might obtain Medicare certification. Providers should be ready to occupy needed beds as soon as the moratorium is lifted, and not have to wait four more months after the moratorium's expiration, to complete a CON process. As in other LTACH CON approvals since 2008, this efficiency can be accomplished simply by making operation of approved beds conditional on subsequent CMS certification.

APPLICANTS WITH HOSPITAL PROJECTS (CONSTRUCTION COST IN EXCESS OF $5 MILLION) AND OTHER FACILITY PROJECTS (CONSTRUCTION COST IN EXCESS OF $2 MILLION) SHOULD COMPLETE THE SQUARE FOOTAGE AND COSTS PER SQUARE FOOTAGE CHART.

UTILIZING THE ATTACHED CHART, APPLICANTS WITH HOSPITAL PROJECTS SHOULD COMPLETE PARTS A-E BY IDENTIFYING, AS APPLICABLE, NURSING UNITS, ANCILLARY AREAS, AND SUPPORT AREAS AFFECTED BY THIS PROJECT. PROVIDE THE LOCATION OF THE

UNIT/SERVICE WITHIN THE EXISTING FACILITY ALONG WITH CURRENT SQUARE FOOTAGE, WHERE, IF ANY, THE UNIT/SERVICE WILL RELOCATE TEMPORARILY DURING CONSTRUCTION AND RENOVATION, AND THEN THE LOCATION OF THE UNIT/SERVICE WITH PROPOSED SQUARE FOOTAGE. THE TOTAL COST PER SQUARE FOOT SHOULD PROVIDE A BREAKOUT BETWEEN NEW CONSTRUCTION AND RENOVATION COST PER SQUARE FOOT. OTHER FACILITY PROJECTS NEED ONLY COMPLETE PARTS B-E.

See Attachment B.II.A.

PLEASE ALSO DISCUSS AND JUSTIFY THE COST PER SQUARE FOOT FOR THIS PROJECT.

This project is more economical than most. By comparison, the estimated $2,059,315 remodeling/renovation cost for the project is projected to be only $95 PSF. The 2009-2011 acute care construction projects approved by the HSDA had the costs per SF shown in Table Three below. This project's $95 PSF cost is below even 1st quartile averages for renovation ($125 PSF).

Table Four: Hospital Construction Cost PSF
Years: 2009 – 2011

	Renovated Construction	New Construction	Total Construction
1st Quartile	$125.84/sq ft	$235.86/sq ft	$167.99/sq ft
Median	$177.60/sq ft	$274.63/sq ft	$249.32/sq ft
3rd Quartile	$125.84/sq ft	$324.00/sq ft	$301.74/sq ft

Source: CON approved applications for years 2009 through 2011

IF THE PROJECT INVOLVES NONE OF THE ABOVE, DESCRIBE THE DEVELOPMENT OF THE PROPOSAL.

Not applicable.

B.II.B. IDENTIFY THE NUMBER AND TYPE OF BEDS INCREASED, DECREASED, CONVERTED, RELOCATED, DESIGNATED, AND/OR REDISTRIBUTED BY THIS APPLICATION. DESCRIBE THE REASONS FOR CHANGE IN BED ALLOCATIONS AND DESCRIBE THE IMPACT THE BED CHANGE WILL HAVE ON EXISTING SERVICES.

At the time of this application in December 2012, Select Specialty Hospital holds a 39-bed license for long term acute care hospital beds, and also holds HSDA approval to add 10 more of the same--which will give Select Specialty a 49-bed LTACH license when implemented in CY2013. The 10 new beds will be licensed to Select pursuant to a lease of 10 more private rooms from St. Francis Hospital--beds that are currently general, short term (not long term) acute care beds on the 11th floor. St. Francis will drop those 10 beds from its general acute care license, at the time Select takes control of the space and relicenses them as Select's own long term acute care beds. That is expected to happen in CY2013. Its timing will depend on this CON decision. Select hopes to be able to renovate the entire floor prior to using it for numerous new patients.

The same type of re-licensure process is proposed in this application. Select Specialty is requesting CON approval to license the remaining 28 long term acute care beds on the 11th floor, which would increase its LTACH license to 77 beds--39 on the 12th floor and 38 on the 11th floor. Again, this would be accomplished by conversion of short term general acute care beds now licensed to St. Francis. Table Five below presents these changes visually. All Select beds are, and will be, private patient rooms. There are no double rooms in this facility or this project.

Table Five: Proposed Changes in Licensed Hospital Beds
Select Specialty Hospital and St. Francis Hospital
Memphis

Provider / Bed Licensure	Approved Bed Assignment	Proposed Bed Assignment
Select Specialty Hospital / Long Term Acute Care	39 + 10 u.c. = 49	49 + 28 = 77
Ft. Francis Hospital / General Acute Care	519 - 10 u.c. = 509	509 - 28 = 481
Select and St. Francis Hospitals Combined	acute care beds, general & long term = 558	acute care beds, general & long term = 558

Note: "u.c." or "under construction", means here that Select Specialty is preparing to add 10 approved long term acute care beds in 11th-floor patient rooms it will lease from St. Francis (which St. Francis will then remove from the St. Francis acute care license).

B.II.C. AS THE APPLICANT, DESCRIBE YOUR NEED TO PROVIDE THE FOLLOWING HEALTH CARE SERVICES (IF APPLICABLE TO THIS APPLICATION):

1. **ADULT PSYCHIATRIC SERVICES**
2. **ALCOHOL AND DRUG TREATMENT ADOLESCENTS >28 DAYS**
3. **BIRTHING CENTER**
4. **BURN UNITS**
5. **CARDIAC CATHETERIZATION SERVICES**
6. **CHILD AND ADOLESCENT PSYCHIATRIC SERVICES**
7. **EXTRACORPOREAL LITHOTRIPSY**
8. **HOME HEALTH SERVICES**
9. **HOSPICE SERVICES**
10. **RESIDENTIAL HOSPICE**
11. **ICF/MR SERVICES**
12. **LONG TERM CARE SERVICES**
13. **MAGNETIC RESONANCE IMAGING (MRI)**
14. **MENTAL HEALTH RESIDENTIAL TREATMENT**
15. **NEONATAL INTENSIVE CARE UNIT**
16. **NON-RESIDENTIAL METHADONE TREATMENT CENTERS**
17. **OPEN HEART SURGERY**
18. **POSITIVE EMISSION TOMOGRAPHY**
19. **RADIATION THERAPY/LINEAR ACCELERATOR**
20. **REHABILITATION SERVICES**
21. **SWING BEDS**

This is a small but necessary project. It will serve patients needing prolonged acute care hospital stays of more than three weeks, following their discharge from short term acute care hospitals. It will improve resources within a 43-county region around Memphis, meeting elderly, vulnerable patients' needs in the most cost-effective and optimal way currently available.

The applicant, Select Specialty Hospital, is a 39-bed Long Term Acute Care Hospital ("LTACH" in this application). A preceding section of this application describes its East Memphis location on the 12th floor of St. Francis Hospital, a mile south of the Interstate 240 loop around Memphis. Select is the largest LTACH in Memphis and in 43 counties of the three States it serves.

There are only three LTACH facilities in the entire primary and secondary service area, and all of them are in Memphis. In the most recent reporting year, their Joint Annual Reports showed an average occupancy of 86.3%.

Select is the largest and busiest of the Memphis LTACH's, with higher than 93% average occupancy over the past forty-eight months. Methodist Extended Care Hospital (36 beds; 86.3% occupancy in CY2011); and Baptist Memorial Restorative Care Hospital (30 beds; 75.5% occupancy in CY2011) are the other two LTACH's in the service area. It is worth noting that even the smallest of these facilities is at 75.5% occupancy, and will be at 85% occupancy with an additional census of only 2.8 patients.

In December 2012, having averaged higher than 90% occupancy over the past four-year period, Select Specialty requested and received HSDA approval to add 10 beds to its licensed complement without CON review, under a statutory exemption available to hospitals of fewer than 100 beds. Select and its host hospital, St. Francis, are now finalizing a lease to allow that to proceed by a conversion of beds from St. Francis' licensure to Select's licensure.

Because the CON statute allows small hospitals (<100 beds) to add 10 beds every year without CON approval, it was Select Specialty's original intention to add 10 beds on that floor in stages, through early 2016, reaching the floor's full 38-bed capacity, and bringing Select's total license to 77 LTACH beds.

But it has become apparent that the entire floor needs remodeling and updating of all its patient care spaces; and it would obviously be better for patient care if that work could be completed in a single project, before more than 10 patients are brought onto that floor. This application seeks HSDA approval for going ahead in CY2013 with leasing, licensing, and remodeling all 38 bed spaces on that floor, eliminating the need for phased construction over the next 36 months in active patient care areas. If this approval is granted, it will be financially feasible for Select to invest in taking control of the whole floor without a staged-construction project to manage for thirty-six months.

Need for the beds at Select is overwhelming. Select's occupancy consistently exceeds 90%; in both CY2011 and CY2012, Select occupancy has been approximately 93%. The hospital continuously defers or turns away admissions for lack of bed space. This has gone on for years. It seems appropriate not to delay any longer in meeting community requests for this type of care, at this location.

LTACH Bed Need Guidelines

As addressed in this application's section on the Guidelines for Growth, the very old LTACH bed need formula in the Guidelines for Growth does not indicate "need" for more LTACH beds in this service area. But neither does it indicate a significant surplus of LTACH beds. And significantly, the same Guidelines state that the HSDA may approve bed additions once areawide LTACH occupancy reaches 85%--and that has been exceeded in Memphis for at least three years. The applicant urges the HSDA Board to thoughtfully weigh this real-world high rate of demand, and the well-documented aging of many service area counties, against the abstract "need" formula in the Guidelines.

Impact on Other LTACH's

This project will not impact the MED's newly approved 24-bed LTACH (a relocation). Nor will the MED's opening of those beds reduce other LTACH's high occupancies. MED representatives demonstrated in their CON application process that the MED has more qualified LTACH patients on extended acute stays in the MED than the 24 new beds can hold. So it appears that the MED beds will be fully occupied by MED patients who are not now asking for admission to Select or to other LTACH's in Memphis.

The Baptist and Methodist LTACH facilities are not likely to be harmed by the addition of beds at Select. They have high utilization that is not going to switch to Select in any significant way; Select anticipates filling its new beds through new marketing efforts at rural hospitals that are not discharging all their qualified patients to Memphis LTACH's at this time. Moreover, the Select bed addition will occur in stages by CY2016, if not allowed to open in CY2014 pursuant to a CON; so denial of this application would not provide competitive benefits of any duration to any other area LTACH.

B.II.D. DESCRIBE THE NEED TO CHANGE LOCATION OR REPLACE AN EXISTING FACILITY.

Not applicable.

B.II.E. DESCRIBE THE ACQUISITION OF ANY ITEM OF MAJOR MEDICAL EQUIPMENT (AS DEFINED BY THE AGENCY RULES AND THE STATUTE) WHICH EXCEEDS A COST OF $1.5 MILLION; AND/OR IS A MAGNETIC RESONANCE IMAGING SCANNER (MRI), POSITRON EMISSION TOMOGRAPHY (PET) SCANNER, EXTRACORPOREAL LITHOTRIPTER AND/OR LINEAR ACCELERATOR BY RESPONDING TO THE FOLLOWING:

1. For fixed site major medical equipment (not replacing existing equipment):

- **a. Describe the new equipment, including:**
  1. **Total Cost (As defined by Agency Rule);**
  2. **Expected Useful Life;**
  3. **List of clinical applications to be provided; and**
  4. **Documentation of FDA approval.**
- **b. Provide current and proposed schedule of operations.**

2. For mobile major medical equipment:

- **a. List all sites that will be served;**
- **b. Provide current and/or proposed schedule of operations;**
- **c. Provide the lease or contract cost;**
- **d. Provide the fair market value of the equipment; and**
- **e. List the owner for the equipment.**

3. Indicate applicant's legal interest in equipment (e.g., purchase, lease, etc.) In the case of equipment purchase, include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

Not applicable. The project contains no major medical equipment.

B.III.A. ATTACH A COPY OF THE PLOT PLAN OF THE SITE ON AN 8-1/2" X 11" SHEET OF WHITE PAPER WHICH MUST INCLUDE:

1. **SIZE OF SITE (IN ACRES);**
2. **LOCATION OF STRUCTURE ON THE SITE;**
3. **LOCATION OF THE PROPOSED CONSTRUCTION; AND**
4. **NAMES OF STREETS, ROADS OR HIGHWAYS THAT CROSS OR BORDER THE SITE.**

PLEASE NOTE THAT THE DRAWINGS DO NOT NEED TO BE DRAWN TO SCALE. PLOT PLANS ARE REQUIRED FOR ALL PROJECTS.

See Attachment B.III.A.

B.III.B.1. DESCRIBE THE RELATIONSHIP OF THE SITE TO PUBLIC TRANSPORTATION ROUTES, IF ANY, AND TO ANY HIGHWAY OR MAJOR ROAD DEVELOPMENTS IN THE AREA. DESCRIBE THE ACCESSIBILITY OF THE PROPOSED SITE TO PATIENTS/CLIENTS.

Select Specialty Hospital is on the twelfth floor of its host hospital, St. Francis Hospital. Select's address is 5959 Park Avenue, Memphis, Tennessee 38119. This is in East Memphis, approximately one mile south of the Poplar Avenue exit from Interstate 240 Loop circling that side of Memphis. The campus is well known to residents of Shelby County. It is served by a municipal bus line. However, almost all patients use private transportation to come to Select Specialty Hospital, because they are acute care patients for whom public transportation is not appropriate if alternatives are available. The applicant has no way of knowing what means of transport is used by visiting families.

This facility has a regional service area, as one would expect of LTACH's in cities with large tertiary healthcare systems. It has forty-three counties in its full (primary and secondary) service area. Table Six on the following page provides distances and drive times between Select Specialty and the largest community (or county seat) in the 17 Tennessee primary service area counties (those providing 85% of Select Specialty's admissions). Memphis is the hub of a complex network of interstate and Federal highways that provide good access to Memphis providers for residents of Shelby County and the vast rural areas surrounding it. Table Seven on the same page provides distances and drive times between this project and other LTACH's in the primary service area.

Table Six: Mileage and Drive Times Between Project and Major Communities in the 17-County Primary Service Area			
Community	**County and State**	**Distance in Miles**	**Drive Time in Minutes**
1. Marion	Crittenden, AR	29.8	32"
2. Forrest City	Saint Francis, AR	65.2	64"
3. Corinth	Alcorn, MS	82.0	87"
4. Senatobia	DeSoto, MS	22.2	28"
5. Oxford	Lafayette, MS	70.6	83"
6. Tupelo	Lee, MS	101.0	99"
7. Holly Springs	Marshall, MS	40.1	46"
8. Batesville	Panola, MS	67.1	65"
9. Senatobia	Tate, MS	44.,8	46"
10. Dyersburg	Dyer, TN	77.5	100"
11. Somerville	Fayette, TN	42.2	44"
12. Trenton	Gibson, TN	89.7	102"
13. Ripley	Lauderdale, TN	55.5	78"
14. Jackson	Madison, TN	77.8	77"
15. Selmer	McNairy, TN	83.7	102"
16. Memphis	Shelby, TN	--	--
17. Covington	Tipton, TN	40.6	59"

Source: Google Maps, Dec. 2012

Table Seven: Mileage and Drive Times Between Project and the Three Other Approved Long Term Acute Care Hospitals in the 17-County Primary Service Area			
Facility and Address	**County and State**	**Distance in Miles**	**Drive Time in Minutes**
Select Specialty Hospital 5959 Park Avenue, Memphis, TN 38119	Shelby, TN	na	na
Baptist Memorial Restorative Care Hospital 2100 Exeter Road, Memphis, TN 38138*	Shelby, TN	3.1	5"
Methodist Extended Care Hospital 225 South Claybrook, Memphis, TN 38104	Shelby, TN	16.2	19"
Memphis Long Term Care Specialty Hospital 877 Jefferson Ave., Memphis, TN 38103	Shelby, TN	11.0	22"

Source: Google Maps, Dec. 2012

B.IV. ATTACH A FLOOR PLAN DRAWING FOR THE FACILITY WHICH INCLUDES PATIENT CARE ROOMS (NOTING PRIVATE OR SEMI-PRIVATE), ANCILLARY AREAS, EQUIPMENT AREAS, ETC.

See attachment B.IV.

IV. FOR A HOME CARE ORGANIZATION, IDENTIFY

1. **EXISTING SERVICE AREA (BY COUNTY);**
2. **PROPOSED SERVICE AREA (BY COUNTY);**
3. **A PARENT OR PRIMARY SERVICE PROVIDER;**
4. **EXISTING BRANCHES AND/OR SUB-UNITS; AND**
5. **PROPOSED BRANCHES AND/OR SUBUNITS.**

Not applicable. The application is not for a home care organization.

C(I) NEED

C(I).1. DESCRIBE THE RELATIONSHIP OF THIS PROPOSAL TO THE IMPLEMENTATION OF THE STATE HEALTH PLAN AND TENNESSEE'S HEALTH: GUIDELINES FOR GROWTH.

A. PLEASE PROVIDE A RESPONSE TO EACH CRITERION AND STANDARD IN CON CATEGORIES THAT ARE APPLICABLE TO THE PROPOSED PROJECT. DO NOT PROVIDE RESPONSES TO GENERAL CRITERIA AND STANDARDS (PAGES 6-9) HERE.

B. APPLICATIONS THAT INCLUDE A CHANGE OF SITE FOR A HEALTH CARE INSTITUTION, PROVIDE A RESPONSE TO GENERAL CRITERION AND STANDARDS (4)(a-c).

Project-Specific Review Criteria: Long Term Acute Care Hospital (LTACH) Beds

A. Need

1. The Need for long term care hospital (LTH) beds shall be determined by applying the guidelines of (0.5) beds per 10,000 population in the service area of the proposal.

Response: Tables Eight-A and -B, beginning on the next page, present the above calculation based on CY2013 and CY2015 population projections for the primary and secondary service area counties.

The Tennessee population data are from the Tennessee Department of Health (Feb. 2008 series). The 2013 and 2015 Mississippi and Arkansas projections are made from U.S. Census data, based on annual increases projected by the Census between 2010 and 2011. The applicant used Census data for those States because neither has annual projections by county, that incorporate the 2010 U.S. Census data.

The tables indicate a total area population of 2,433,814 persons in CY2015 (Year Two of this project). Despite the Memphis LTACHs' extraordinarily high utilization (averaging 86.3%), the projection formula in this criterion A.1 indicates no additional LTACH bed need beyond currently operational and approved beds. This seems to conflict with the logical implications of Criterion A.2 immediately below, which suggests that additional beds may be needed once the service area's average LTACH occupancy reaches 85%--which this area consistently exceeds.

2. If the project is a bed addition, existing long term care hospital beds must have a minimum average occupancy of 85%.

Response: The three LTACH's in the service area reported a combined occupancy of 86.3% in the most recent reporting year; two of the three exceeded 86% and Select had a 94.6% occupancy. For the lowest-occupancy facility, its 75.5% occupancy rate needs an average daily census of only 2.8 patients to be at 85% occupancy, due to its very small bed complement.

3. The population shall be the current year's population, projected two years forward.

Response: The applicant's analysis for Criterion A.1 above did use the service area population projected two years from the effective date on which this application will begin its review process (i.e., CY2013 population projected to CY2015).

Table Eight-A: LTACH Bed Need, Guidelines for Growth 2000 Service Area of Select Specialty Hospital		
CY2015 Population	**LTACH Bed Need @ 0.5 per 10,000 Population**	**LTACH Beds Existing or Approved**
2,433,814	122 beds	105 + 24 u.c. = 129 beds

Table Eight-B : LTACH Bed Need, Guidelines for Growth 2000 Service Area of Select Specialty Hospital					
County	State	2010	2011	2013	2015
Shelby Co	TN	938,186	943,681	956,126	970,591
Benton Co	TN	16,657	16,680	16,779	16,903
Carroll Co	TN	29,631	29,734	29,970	30,243
Chester Co	TN	16,645	16,760	17,031	17,322
Crockett Co	TN	14,944	15,063	15,336	15,664
Decatur Co	TN	11,516	11,494	11,509	11,546
Dyer Co	TN	38,716	38,865	39,238	39,682
Fayette Co	TN	38,247	38,728	39,818	41,105
Gibson Co	TN	48,956	49,061	49,303	49,637
Hardeman Co	TN	29,491	29,738	30,299	30,941
Hardin Co	TN	26,741	26,846	27,091	27,402
Haywood Co	TN	19,662	19,678	19,786	19,949
Henderson Co	TN	27,584	27,767	28,170	28,626
Henry Co	TN	32,394	32,525	32,834	33,179
Lake Co	TN	7,423	7,407	7,393	7,386
Lauderdale Co	TN	27,888	28,127	28,641	29,220
Madison Co	TN	99,334	100,059	101,634	103,431
McNairy Co	TN	26,161	26,251	26,476	26,722
Obion Co	TN	32,626	32,675	32,839	33,061
Tipton Co	TN	61,300	62,102	63,857	65,839
Weakly Co	TN	33,799	33,841	33,970	34,152
Total TN		**1,577,901**	**1,587,082**	**1,608,100**	**1,632,601**
Alcorn Co	MS	37,057	37,052	37,042	37,032
Benton Co	MS	8,729	8,732	8,738	8,744
Coahoma Co	MS	26,151	25,913	25,437	24,961
DeSoto Co	MS	161,252	164,053	169,655	175,257
Itawamba Co	MS	23,401	23,332	23,194	23,056
Lafayette Co	MS	47,354	48,472	50,708	52,944
Lee Co	MS	82,910	84,156	86,648	89,140
Marshall Co	MS	37,144	36,786	36,070	35,354
Panola Co	MS	34,704	34,602	34,398	34,194
Pontotoc Co	MS	29,957	29,900	29,786	29,672
Prentiss Co	MS	25,276	25,330	25,438	25,546
Tate Co	MS	28,886	28,719	28,385	28,051
Tippah Co	MS	22,232	22,143	21,965	21,787
Tishomingo Co	MS	19,593	19,603	19,623	19,643
Tunica Co	MS	10,778	10,628	10,328	10,028
Union Co	MS	27,134	27,340	27,752	28,164
Total MS		**622,558**	**626,761**	**635,167**	**643,573**
Crittenden Co	AR	50,902	50,525	49,771	49,017
Lee Co	AR	10,424	10,326	10,130	9,934
Mississippi Co	AR	46,480	45,966	44,938	43,910
Monroe Co	AR	8,149	8,075	7,927	7,779
Phillips Co	AR	21,757	21,442	20,812	20,182
St Francis Co	AR	28,258	27,970	27,394	26,818
Total AR		**165,970**	**164,304**	**160,972**	**157,640**
Total Service Area		**2,366,429**	**2,378,147**	**2,404,239**	**2,433,814**

1 MS & AR 2010 & 2011 Data From State & County Quickfacts,
U.S. Census Bureau, 2012; 2013 & 2015 based on straight-line projections.
2 TN Projections from Tennessee Dept of Health.

4. The primary service area cannot be smaller than the applicant's Community Services Area (CSA). If LTH beds are proposed within an existing hospital, CSA's served by the existing facility can be included along with consideration for populations in adjacent States, when the applicant provides documentation (such as admission sources from the Joint Annual Report).

Response: The applicant has conformed its West Tennessee service area to the boundaries of the West Tennessee CSA's, almost all of whose counties are in the applicant's admissions-based service area anyway. Counties in Mississippi and Arkansas are included based on actual admissions from those out-of-State counties.

B. Economic Feasibility

1. The payer costs of a long term hospital should demonstrate a substantial saving, or the services should provide additional benefit to the patient over the payer cost or over the provision of short term general acute care alternatives, treating a similar patient mix of acuity.

Response: Table Nine on the next page compares the applicant's current gross charges per patient day to those of other LTACH hospitals in Shelby County. Charge per stay information is not relevant because of the wide variation in lengths of stay between the two types of hospital. Acuity information is not available. The difference in gross charge per patient day between LTACH's and general acute care (short term) hospitals is clearly substantial.

Table Nine: Comparative Charges Per Patient Day In Shelby County LTACH Facilities 2011 Joint Annual Reports / CN1210-052 (Mem.LT Care Spec'y)			
LTACH's	**Gross Inpatient Charges**	**IP or Discharge Days**	**Gross Charge Per Day**
Select Specialty CY 2011	$55,365,667	13,469	$4,111
Select Specialty CY 2015	$100,672,847	21,535	$4,675
Baptist Restor. Care CY2011	$44,353,983	8,267	$5,365
Methodist Ext. Care CY2011	$37,557,166	11,337	$3,313
Memph LT Care Spec CY2015	$28,143,153	8,322	$3,382
Average Gross Charge/Day, LTACH's in Shelby County	*$266,092,816*	*62,930*	*$4,228*
GENERAL HOSPITALS			
Baptist Memorial Hospital	$1,114,429,673	175,949	$6,334
Baptist Memorial Hospital Colliersville	$67,917,234	10,097	$6,726
Methodist Healthcare North	$368,520,300	58,820	$6,265
Methodist Healthcare South	$193,638,469	33,495	$5,781
Methodist Healthcare Germantown	$530,677,072	76,854	$6,905
Methodist LeBonheur Hospital	$436,975,498	56,884	$7,682
Methodist Healthcare University	$933,893,298	124,109	$7,525
Saint Francis Hospital	$812,315,392	89,083	$9,119
Saint Francis Hospital Bartlett	$281,098,187	29,947	$9,387
Delta Medical Center	$88,137,038	33,560	$2,626
The MED (Regl Med Center @ Mem)	$847,127,594	90,772	$9,332
Average Gross Charge/Day, General Hospitals in Shelby County	*$5,674,729,755*	*779,570*	*$7,279*

Source: Joint Annual Reports of Hospitals, 2011, pp. 18 & 24; CN1210-052 for Memphis Long Term Care Specialty Hospital; its data is for Year 1 (2015/16). Select Specialty data for 2015 is from this application.

2. The payer costs should be such that the facility will be financially accessible to a wide range of payers as well as to adolescent and adult patients of all ages.

Response: Adult (18+ years of age) patients enrolled in commercial, Medicare, and Medicaid insurance programs are served by this facility. Following is the payor mix of this facility, for CY2011 and YTD 2012.

Table Ten: Select Specialty Hospital-Memphis Payor Mix 2011 & YTD 2012		
Payor Classification	**CY2011**	**Q1-Q3, CY 2012**
Medicare	80.02%	79.39%
Medicaid	3.33%	3.40%
Commercial & WC	15.48%	16.74%
Other	1.17%	0.47%

Source: Select Specialty Corp. records

3. Provisions will be made so that a minimum of 5% of the patient population using long term care beds will be charity or indigent care.

Response: Line C.2 of the applicant's Historic and Projected Data Charts for the project do not reflect charity care to uninsured or underinsured persons per se, but the applicant does provide a substantial amount of uncompensated care.

Select Medical Corporation (the parent company) and its hospitals use the term "FLO" days (meaning "fixed loss outliers") to record these uncompensated days of care. Here is how uncompensated care is calculated: Each patient is assigned a Medicare DRG code at admission. That DRG has a specified payment, and has certain statistics considered normative based on national experience with that DRG. One statistic is the DRG's "geometric length of stay" ("GLOS")--the days of care that Medicare decides is appropriate for that DRG. The hospital is reimbursed at cost (calculated from its annual Medicare Cost Report) for each day of care provided, from admission until a patient stays 5/6 of that DRG's GLOS. At that point, the balance of the DRG is paid to the hospital. After that, if a patient needs more inpatient care beyond the 5/6 point, the hospital receives no reimbursement for a "fixed loss period" for that patient--similar to the "donut hole" for individual Medicare drug plans. The fixed loss is a specific dollar amount of free care that Medicare requires the hospital to provide before it resumes payments on

that patient. And once it does, Medicare begins to reimburse only at 80% of the hospital's cost of care—which further increases the free care by the hospital.

While this is not technically "charity" care, it is a necessary and substantial amount of free days of care contributed to many long-stay patients regardless of income. This uncompensated care is a large annual figure for Select. In 2011, more than a fifth (21%) of Select's total days were not reimbursed due to the FLO uncompensated care window applied by Medicare and other payors. The data in Table Eleven below show this facility's past three complete years of uncompensated days ("FLO days" that were incurrred. The Uncompensated Care column shows the applicant's gross charges during those days, minus any reimbursement later received for those patients after the fixed loss period ended. This is then shown as a percent of the hospital gross revenues. In the last full year (CY2011) Select provided this type of uncompensated care equal to 7.2% of hospital gross revenues. When 2012 data is compiled it will be similar to these years.

Table Eleven: Select Specialty Hospital-Memphis
Uncompensated Care Days From FLO Process

Year	FLO (Fixed Loss Outlier) Days	Uncompensated Care	As a Percent of Gross Revenue	As a Percent of Total Facility Days
2009	2,406	$3,644,232	7.4%	17.9%
2010	2,500	$3,349,049	6.7%	19.7%
2011	2,846	$3,970,854	7.2%	21.1%

Source: Hospital management

C. Orderly Development

1. (a) Services offered by the long term hospital must be appropriate for medically complex patients who require daily physician intervention, 24 hours access per day of professional nursing (requiring 6-8 hours per patient day of nursing and therapeutic services), and on-site support and access to appropriate multi-specialty medical consultants.

(b) Patient services should be available as needed for the most appropriate provision of care. These services should include restorative inpatient medical care, hyperalimentation, care of ventilator dependent patients, long term antibiotic therapy, long term pain control, terminal AIDS care, and management of infectious and pulmonary diseases.

(c) Also, to avoid unnecessary duplication, the project should include services such as obstetrics, advanced emergency care, and other services which are not operationally pertinent to long term hospitals.

Responses:

(a) Select Specialty complies with this. It is located within a 24-hour hospital with a full array of acute care physician specialties available and on-call.

YTD 2012, Select has provided an average of 9.64 nursing hours per patient day (PPD), and 3.23 hours of therapies PPD, for a total of 12.87 hours PPD of nursing and therapeutic services. This greatly exceeds the 6-8 hours PPD recommended in this criterion--and illustrates the serious care requirements of this patient population. (Please see the Attachment labeled "Miscellaneous" for monthly data in nursing and therapeutic hours, CY2011 and CY2012 YTD.)

(b) Select Specialty provides care for the types of patients listed in this criterion: hyperalimentation, care of ventilator dependent patients, long term antibiotic therapy, long term pain control, terminal AIDS care, and management of infectious and pulmonary diseases.

(c) Select Specialty Hospital-Memphis has never, and will never, provide the referenced services or any other services not appropriate for long term acute care hospitals.

2. The applicant should provide assurance that the facility's patient mix will exhibit an annual average aggregate length of stay greater than 25 days, as calculated by the Health Care Finance Administration (HCFA), and will seek licensure only as a hospital.

Response: Table Twelve below provides documentation that this hospital's ALOS exceeds 25 days, and is projected to continue to exceed 25 days. See column five of the table.

Table Twelve: Historical and Projected Utilization Select Specialty Hospital-Memphis 2009-2012 Annualized					
Year	**Beds**	**Admissions**	**Days**	**Average Length of Stay (ALOS)**	**Occupancy**
CY2009	39	464	13,473	29.0	94.6%
CY2010	39	426	12,680	29.8	89.1%
CY2011	39	418	13,469	32.2	94.6%
CY2012 (ann'd)	39	466	13,357	28.7	93.8%
4-year Average	**39**	**444**	**13,425**	**30.2**	**93.0%**
CY2013	49	534	15,527	28.6	85.3%
CY2014 Yr 1	77	677	19,345	28.6	68.8%
CY2015 Yr 2	77	753	21,535	28.6	76.6%
CY2016 Yr 3	77	843	24,090	28.6	85.7%
CY2017 Yr 4	77	887	25,368	28.6	93.8%

Source: Joint Annual Reports; hospital records; management projections. Occupancy calculated on 365 days without leap year consideration. Admissions and ADC rounded.

3. The applicant should provide assurance that the projected caseload will require no more than three (3) hours per day of rehabilitation.

Response: Table Thirteen below provides nursing hours and rehabilitation hours per patient day for CY2011, and CY2012 YTD. Similar hours of rehabilitation PPD will be provided in the beds in this project. Monthly data for these calculations is provided in the Attachments (see "Miscellaneous").

Table Thirteen: Rehabilitation and Nursing Hours PPD Select Specialty Hospital-Memphis		
	Rehabilitation Hours Per Patient Day	**Nursing Hours Per Patient Day**
CY2011	3.23	9.64
CY2012 annualized	3.03	9.67

Source: Hospital records

4. Because of the very limited statewide need for long term care beds, and their overall high acuity of care, these beds should be allocated only to community service areas and be either inside or in close proximity to tertiary referral hospitals, to enhance physical accessibility to the largest concentration of services, patients, and medical specialists.

Response: The applicant is located within a CSA, is within a tertiary referral

hospital, and is within five miles of two other tertiary referral hospitals in Memphis—Baptist Hospital and Methodist Germantown.

5. In order to ensure that the beds and the facility will be used for the purpose certified, any Certificate of Need for a long term care hospital should be conditioned on the institution being certified by the Health Care Financing Administration as a long term hospital, and qualifying as PPS-exempt under applicable Federal guidelines. If such certification is received *(sic)* prior to the expiration date of the Certificate of Need, as provided in Tennessee Code Annotated(TCA) Section 68-11-108(c), the Certificate of Need shall expire, and become null and void.

Response: This condition is already met. The applicant is presently certified as a long-term hospital and qualified as PPS-exempt.

CMS is the Federal Center for Medicare/Medicaid Services; replacement for HCFA) In 2008, CMS placed a moratorium on Medicare certification of additional LTACH beds nationwide. This was extended once and is now scheduled to expire December 29, 2012. The Medicare moratorium may or may not be extended; but the applicant sees that as irrelevant to a CON decision on this application, because it is unpredictable and because Tennessee can license the beds it chooses regardless of the changing landscape in Medicare reimbursement. Providers should be enabled to use needed beds as soon as the moratorium is lifted, and not have to wait many months after that date, to complete a CON process. This problem can be resolved by granting a CON to operate additional licensed beds conditional on expiration of any CMS moratorium on certification of those beds.

The Framework for Tennessee's Comprehensive State Health Plan

Five Principles for Achieving Better Health

The following Five Principles for Achieving Better Health serve as the basic framework for the State Health Plan. After each principle, the applicant states how this CON application supports the principle, if applicable.

1. Healthy Lives

The purpose of the State Health Plan is to improve the health of Tennesseans.
Every person's health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.

Select Specialty Hospital is one of only three existing LTACH providers that together operate 105 beds to serve patients of 43 counties in Tennessee and adjoining States. All three facilities serve an important role in working with general short term hospitals to relieve the latter of the financial burden of providing weeks of costly, uncompensated care to patients who need acute care beyond what the DRG will cover during a short term acute care stay. Individually, all of these three facilities operated at between approximately 85% and 95% occupancy in some, or all, of the past three years; and their most recently reported combined occupancy in CY2011 exceeded 86%. Select operated at 93.6% occupancy in CY2012, and had to defer many requests for admission. Collaboration with short term hospitals, to reduce costs of overall hospital care, requires available beds at the LTACH chosen by the patient and the discharging physician. This project supports that collaboration and supports this criterion of the State Health Plan.

2. Access to Care

Every citizen should have reasonable access to health care.
Many elements impact one's access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.

The applicant believes that reasonable access to care requires some measure of choice for consumers and their families and physicians, and inpatient choice cannot occur without available bed space among a reasonable number of hospitals that are physically

and financially accessible. By allowing Select to license these proposed beds, access will be improved by the expansion of patient choice for residents of a vast service area of more than two million population. Current limitations of bed supply reduce patients' choices below what was available before area LTACH's became full.

3. Economic Efficiencies

The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system. **The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.**

This project encourages the competition and efficiency goals of this criterion. It is efficient in that it avoids new hospital bed construction, relying instead on inexpensive renovation of existing beds that adjoin its existing facility. It promotes appropriate competition by recognizing and enabling the LTACH provider most in demand by area physicians and patients--a provider that has been full for four years now, and is appropriately seeking to expand.

4. Quality of Care

Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers. **Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.**

Select Specialty Hospital complies with quality standards and practices of the licensure program of the State of Tennessee and of its Joint Commission accreditation program.

5. Health Care Workforce

The state should support the development, recruitment, and retention of a sufficient and quality health care workforce. **The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.**

Select Specialty Hospital, like other hospitals, contributes to the education of health care professionals by its affiliations for training students in programs at several colleges and universities in Tennessee. See Section C.III. (6) of this application.

C(I).2. DESCRIBE THE RELATIONSHIP OF THIS PROJECT TO THE APPLICANT'S LONG-RANGE DEVELOPMENT PLANS, IF ANY.

This facility does not prepare formal long-range development plans.

C(I).3. IDENTIFY THE PROPOSED SERVICE AREA AND JUSTIFY THE REASONABLENESS OF THAT PROPOSED AREA. SUBMIT A COUNTY-LEVEL MAP INCLUDING THE STATE OF TENNESSEE CLEARLY MARKED TO REFLECT THE SERVICE AREA. PLEASE SUBMIT THE MAP ON A 8-1/2" X 11" SHEET OF WHITE PAPER MARKED ONLY WITH INK DETECTABLE BY A STANDARD PHOTOCOPIER (I.E., NO HIGHLIGHTERS, PENCILS, ETC.).

Select Specialty Hospital is the largest LTACH in Memphis. Like the tertiary Memphis hospital systems that provide many of its admissions, it serves a wide region of counties in several States around Memphis.

Select Specialty Hospital's admissions data indicate that it served residents of 78 counties in Tennessee, Mississippi, Arkansas, and eight other States. Its primary service area consisted of 17 contiguous counties in Tennessee, Arkansas, and Mississippi, whose residents generated 85% of its admissions. Its secondary service area consisted of another 26 contiguous counties in those States, generating another 11.2% of its admissions. Together, its primary and secondary service areas totaled 43 contiguous counties generating 96.3% of its admissions. Another 3.7% of admissions originated in 35 other non-contiguous counties in eight States.

The 43-county primary and secondary service areas are shown in Map One on the following page. The heaviest shaded counties are the primary service area; the lighter shaded counties are the secondary service area. The number of admissions from each county in the study period is shown. Following Map One, Table Fourteen lists the total service area counties.

With only a few exceptions, counties of fewer than 4 admissions were excluded from the primary and secondary service areas. Crockett and Chester Counties in West Tennessee were included in the declared project service area, because they are surrounded by service area counties and their inclusion is a reasonable and customary health planning practice when constructing a map of a project's contiguous service area counties. Also, those two counties plus Henry, Benton, and Decatur Counties in West Tennessee were included because Guideline for Growth #4 for LTACH beds requires inclusion of entire Tennessee CSA's (Community Service Areas) whose counties are being served.

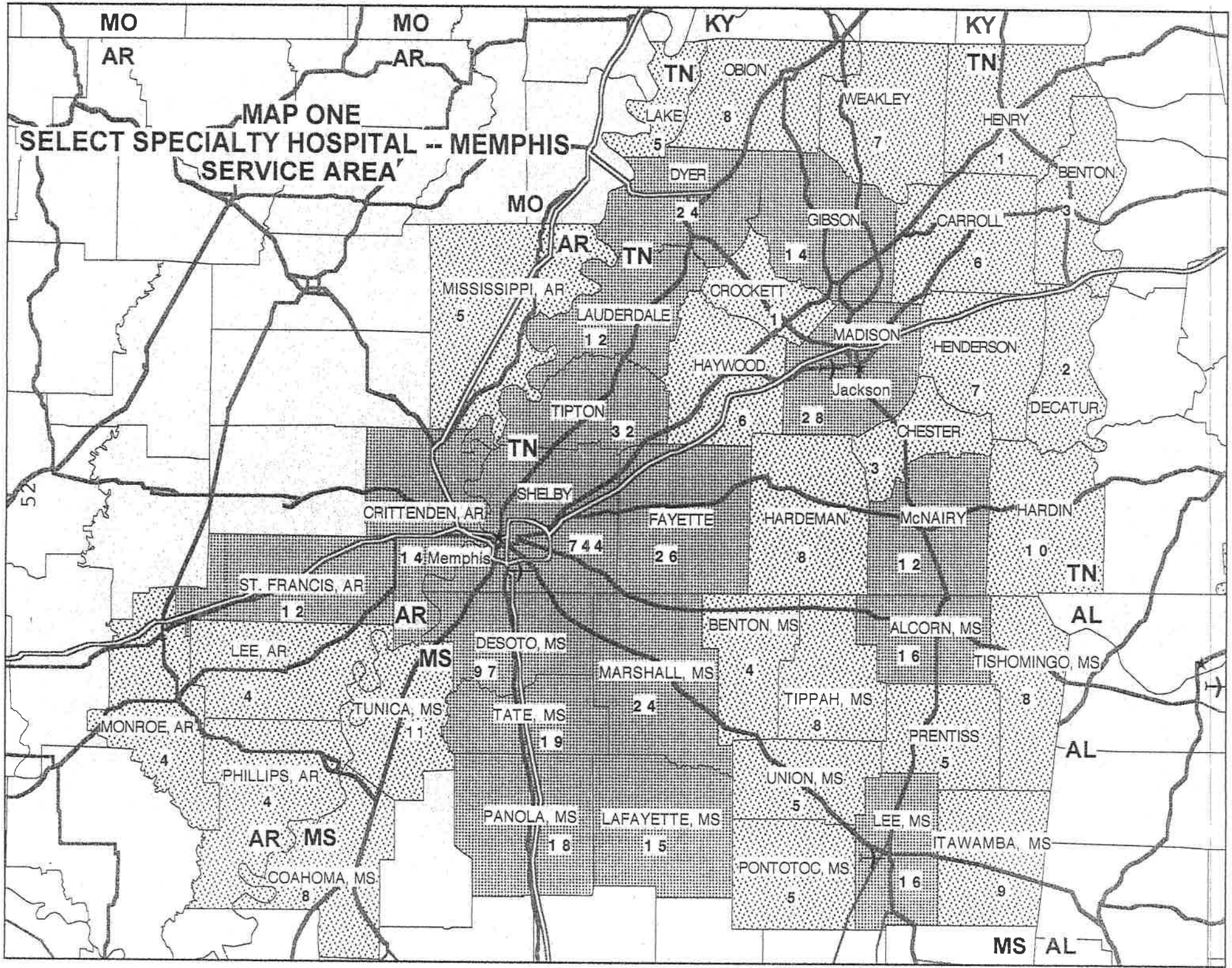

MAP ONE
SELECT SPECIALTY HOSPITAL -- MEMPHIS
SERVICE AREA
MO
AR
KY
TN
MS
AL
OBION
WEAKLEY
HENRY
BENTON
LAKE
DYER
GIBSON
CARROLL
MISSISSIPPI, AR
CROCKETT
LAUDERDALE
MADISON
HENDERSON
HAYWOOD
Jackson
DECATUR
TIPTON
CHESTER
SHELBY
CRITTENDEN, AR
FAYETTE
HARDEMAN
McNAIRY
HARDIN
Memphis
ST. FRANCIS, AR
BENTON, MS
ALCORN, MS
TISHOMINGO, MS
LEE, AR
DESOTO, MS
MARSHALL, MS
TIPPAH, MS
TUNICA, MS
TATE, MS
MONROE, AR
PRENTISS
PHILLIPS, AR
UNION, MS
PANOLA, MS
LAFAYETTE, MS
LEE, MS
ITAWAMBA, MS
COAHOMA, MS
PONTOTOC, MS
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Table Fourteen: Service Area For Select Specialty Hospital-Memphis

Counties Ranked By Admissions

Primary Service Area		Discharges	Cumulative	Percent of Total
SHELBY, TENNESSEE	TN	744	744	56.1%
DESOTO, MISSISSIPPI	MS	97	841	63.8%
TIPTON, TENNESSEE	TN	32	873	66.2%
MADISON, TENNESSEE	TN	28	901	68.3%
FAYETTE, TENNESSEE	TN	26	927	70.3%
MARSHALL, MISSISSIPPI	MS	24	951	72.1%
DYER, TENNESSEE	TN	24	975	73.9%
TATE, MISSISSIPPI	MS	19	994	75.4%
PANOLA, MISSISSIPPI	MS	18	1012	76.7%
ALCORN, MISSISSIPPI	MS	16	1028	77.9%
LEE, MISSISSIPPI	MS	16	1044	79.2%
LAFAYETTE, MISSISSIPPI	MS	15	1059	80.3%
CRITTENDEN, ARKANSAS	AR	14	1073	81.3%
GIBSON, TENNESSEE	TN	14	1087	82.4%
SAINT FRAN, ARKANSAS	AR	12	1099	83.3%
LAUDERDALE, TENNESSEE	TN	12	1111	84.2%
MCNAIRY, TENNESSEE	TN	12	1123	85.1%
Secondary Service Area				
TUNICA, MISSISSIPPI	MS	11	1134	86.0%
HARDIN, TENNESSEE	TN	10	1144	86.7%
ITAWAMBA, MISSISSIPPI	MS	9	1153	87.4%
COAHOMA, MISSISSIPPI	MS	8	1161	88.0%
TIPPAH, MISSISSIPPI	MS	8	1169	88.6%
TISHOMINGO, MISSISSIPPI	MS	8	1177	89.2%
HARDEMAN, TENNESSEE	TN	8	1185	89.8%
OBION, TENNESSEE	TN	8	1193	90.4%
HENDERSON, TENNESSEE	TN	7	1200	91.0%
WEAKLEY, TENNESSEE	TN	7	1207	91.5%
CARROLL, TENNESSEE	TN	6	1213	92.0%
HAYWOOD, TENNESSEE	TN	6	1219	92.4%
MISSISSIPP, ARKANSAS	AR	5	1224	92.8%
PONTOTOC, MISSISSIPPI	MS	5	1229	93.2%
PRENTISS, MISSISSIPPI	MS	5	1234	93.6%
UNION, MISSISSIPPI	MS	5	1239	93.9%
LAKE, TENNESSEE	TN	5	1244	94.3%
LEE, ARKANSAS	AR	4	1248	94.6%
PHILLIPS, ARKANSAS	AR	4	1252	94.9%
BENTON, MISSISSIPPI	MS	4	1256	95.2%
MONROE, ARKANSAS	AR	4	1260	95.5%
BENTON, TENNESSEE	TN	3	1263	95.8%
CHESTER, TENNESSEE	TN	3	1266	96.0%
DECATUR, TENNESSEE	TN	2	1268	96.1%
CROCKETT, TENNESSEE	TN	1	1269	96.2%
HENRY, TENNESSEE	TN	1	1270	96.3%
Tertiary Service Area				
CRAIGHEAD, ARKANSAS	AR	3	1273	96.5%
GRENADA, MISSISSIPPI	MS	3	1276	96.7%
YALOBUSHA, MISSISSIPPI	MS	3	1279	97.0%
CROSS, ARKANSAS	AR	2	1281	97.1%
GREENE, ARKANSAS	AR	2	1283	97.3%
POINSETT, ARKANSAS	AR	2	1285	97.4%
CALHOUN, MISSISSIPPI	MS	2	1287	97.6%
CHICKASAW, MISSISSIPPI	MS	2	1289	97.7%
CLAY, MISSISSIPPI	MS	2	1291	97.9%
WASHINGTON, MISSISSIPPI	MS	2	1293	98.0%
COOK, ILLINOIS	OTHER-IL	2	1295	98.2%
CLAY, ARKANSAS	AR	1	1296	98.3%
CLEBURNE, ARKANSAS	AR	1	1297	98.3%
JEFFERSON, ARKANSAS	AR	1	1298	98.4%
LONOKE, ARKANSAS	AR	1	1299	98.5%
MARION, ARKANSAS	AR	1	1300	98.6%
WHITE, ARKANSAS	AR	1	1301	98.6%
FULTON, KENTUCKY	KY	1	1302	98.7%
JEFFERSON, KENTUCKY	KY	1	1303	98.8%
BOLIVAR, MISSISSIPPI	MS	1	1304	98.9%
HINDS, MISSISSIPPI	MS	1	1305	98.9%
JONES, MISSISSIPPI	MS	1	1306	99.0%
LEFLORE, MISSISSIPPI	MS	1	1307	99.1%
LOWNDES, MISSISSIPPI	MS	1	1308	99.2%
MONTGOMERY, MISSISSIPPI	MS	1	1309	99.2%
OKTIBBEHA, MISSISSIPPI	MS	1	1310	99.3%
QUITMAN, MISSISSIPPI	MS	1	1311	99.4%
PERSON, NORTH CAROLINA	NC	1	1312	99.5%
BROWARD, FLORIDA	OTHER-FL	1	1313	99.5%
OAKLAND, MICHIGAN	OTHER-MI	1	1314	99.6%
HOWELL, MISSOURI	OTHER-MO	1	1315	99.7%
CUMBERLAND, NORTH CAROLINA	OTHER-NC	1	1316	99.8%
DICKSON, TENNESSEE	TN	1	1317	99.8%
RUTHERFORD, TENNESSEE	TN	1	1318	99.9%
GIBSON, VIRGINIA	VA	1	1319	100.0%

Alphabetic By State and County

Primary Service Area		
CRITTENDEN, ARKANSAS	AR	14
SAINT FRAN, ARKANSAS	AR	12
ALCORN, MISSISSIPPI	MS	16
DESOTO, MISSISSIPPI	MS	97
LAFAYETTE, MISSISSIPPI	MS	15
LEE, MISSISSIPPI	MS	16
MARSHALL, MISSISSIPPI	MS	24
PANOLA, MISSISSIPPI	MS	18
TATE, MISSISSIPPI	MS	19
DYER, TENNESSEE	TN	24
FAYETTE, TENNESSEE	TN	26
GIBSON, TENNESSEE	TN	14
LAUDERDALE, TENNESSEE	TN	12
MADISON, TENNESSEE	TN	28
MCNAIRY, TENNESSEE	TN	12
SHELBY, TENNESSEE	TN	744
TIPTON, TENNESSEE	TN	32
Secondary Service Area		
LEE, ARKANSAS	AR	4
MISSISSIPP, ARKANSAS	AR	5
MONROE, ARKANSAS	AR	4
PHILLIPS, ARKANSAS	AR	4
BENTON, MISSISSIPPI	MS	4
COAHOMA, MISSISSIPPI	MS	8
ITAWAMBA, MISSISSIPPI	MS	9
PONTOTOC, MISSISSIPPI	MS	5
PRENTISS, MISSISSIPPI	MS	5
TIPPAH, MISSISSIPPI	MS	8
TISHOMINGO, MISSISSIPPI	MS	8
TUNICA, MISSISSIPPI	MS	11
UNION, MISSISSIPPI	MS	5
BENTON, TENNESSEE	TN	3
CARROLL, TENNESSEE	TN	6
CHESTER, TENNESSEE	TN	3
CROCKETT, TENNESSEE	TN	1
DECATUR, TENNESSEE	TN	2
HARDEMAN, TENNESSEE	TN	8
HARDIN, TENNESSEE	TN	10
HAYWOOD, TENNESSEE	TN	6
HENDERSON, TENNESSEE	TN	7
HENRY, TENNESSEE	TN	1
LAKE, TENNESSEE	TN	5
OBION, TENNESSEE	TN	8
WEAKLEY, TENNESSEE	TN	7

Source: Hospital records for CY2010-2012.

The declared 43-county service area is also validated by the fact that residents of almost all of its counties are closer to Select Specialty Hospital, than they are to LTACH's elsewhere.

In West and Middle Tennessee, the only LTACH facilities are in Memphis and Nashville. Only three of the twenty-one West Tennessee counties in this project's declared 43-county service area have shorter drive times to Nashville than to this project in Memphis. Similarly, all but two of the twenty-two Arkansas and Mississippi counties in the declared project service area are closer to Select Specialty Hospital than to LTACH's in their home states.

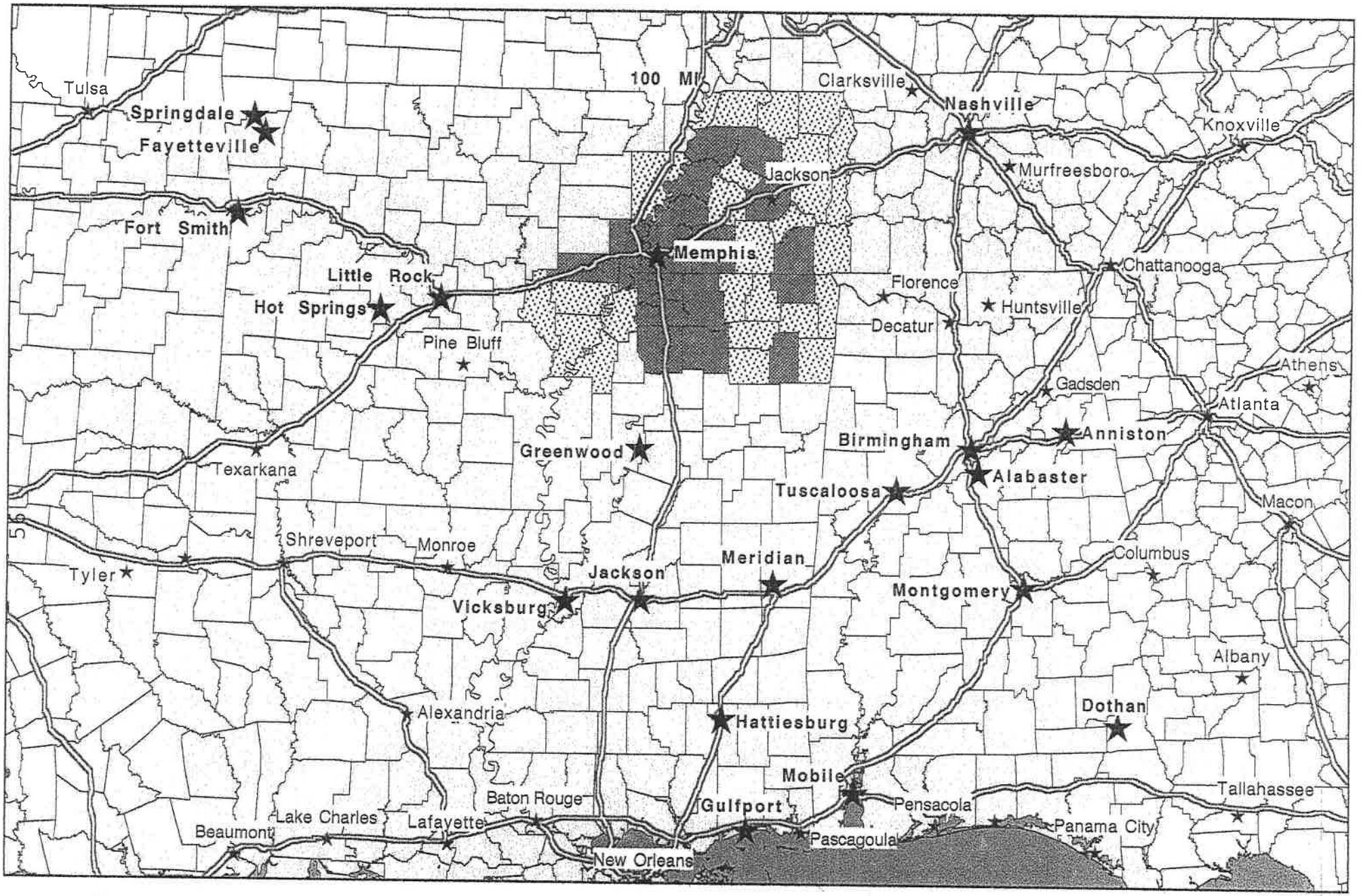
This is demonstrated by Table Fifteen on the following pages--listing the seventeen counties on the "perimeter" of the service area, which are closest to alternative LTACH's beyond this service area, in Nashville or adjoining States. Even in these perimeter counties, most residents have a shorter drive time to Memphis than to where the nearest alternative LTACH's are located. The shorter drive times for each comparison are bolded. And even for those few counties that are slightly closer to alternative LTACH's outside Memphis, there are special circumstances that justify their inclusion in a Memphis LTACH service area. Henry and Decatur County TN residents, for example, are much closer to Jackson tertiary care hospitals than to Nashville hospitals. If they seek hospital and specialty care in Jackson, many are more likely to be referred to Memphis than to Nashville, regardless of a small drive time differential. Similarly, Coahoma (Clarksdale) patients who typically seek care in Memphis will continue to drive the extra few miles to Memphis LTACH's than go to rural Mississippi for admission to the LTACH in rural Greenwood.

Further illustration that almost all these counties' access to Memphis is superior to their access to LTACH's in other locations is provided by Map Two on the second following page. Map Two has large stars marking the location of all alternative LTACH's in Mississippi, Arkansas, Alabama, and Middle and West Tennessee. (Small stars do not denote an LTACH). It can be seen that almost all the project service area counties are all closer to LTACH providers in Memphis than to LTACH's in any other city in these four States. Addresses of the alternative out-of-State LTACH's on Map Two are listed in the Attachments ("Miscellaneous").

Table Fifteen: Distance and Drive Times Between Counties on the Perimeter of the Project Service Area And The Closest Cities With Long Term Acute Care Hospitals

Service Area County (City)	Select Spec'y in Memphis TN		Cities With Alternative Long Term Acute Care Hospitals					
			Little Rock AR Cape Gir'x MO* Nashville TN**		Greenwood MS		Jackson MS	
	miles	minutes	miles	minutes	miles	minutes	miles	minutes
TENNESSEE								
Henry (Paris)*	132	139"	121	**122"****	--	--	--	--
Benton (Camden)*	136	**130"**	177	168"**	--	--	--	--
Decatur (Parsons)*	118	116"	97	**95"****	--	--	--	--
Hardin (Savannah)*	118	**124"**	118	126"**	--	--	--	
ARKANSAS								
Mississippi (Blytheville)*	68	**66"**	106"	102"*	--	--	--	--
Crittenden (Marion)					--	--	--	--
St. Francis (Forrest City)	65.2	**64"**	94.7	90"	--	--	--	--
Lee County (Marianna)	76.3	**83"**	99.5	104"	--	--	--	--
Monroe (Brinkley)	87.5	81"	69.1	**65"**	--	--	--	--
Phillips (Helena)	78.1	**88"**	122	129"	--	--	--	--
MISSISSIPPI								
Coahoma (Clarksdale)	83.8	96"	--	--	58	**69"**	155	169"
Panola (Batesville)	67.1	**65"**	--	--	71	74"	151	135"
Lafayette (Oxford)	70.6	**83"**	--	--	93.7	100"	173	160"
Pontotoc (Pontotoc)	92.7	**103"**	--	--	104	127"	125	137"
Lee (Tupelo)	101	**99"**	--	--	125	138"	190	189"
Itawamba (Fulton)	119	**119"**	--	--	148	160"	213	212"
Tishomingo (Luka)								

Source: Google Maps, December 2012



MAP TWO: LTACH LOCATIONS (LARGE STARS ONLY)
WEST TENNESSEE, ARKANSAS, MISSISSIPPI, & ALABAMA

C(I).4.A DESCRIBE THE DEMOGRAPHICS OF THE POPULATION TO BE SERVED BY THIS PROPOSAL.

As shown by Table Sixteen on the following page, the eight Tennessee counties in the applicant's primary service area have a population of 1.3 million persons, which will increase approximately 3% over the next four years. This growth rate is slightly below the State's average 3.4% population growth rate.

The Tennessee primary service area is slightly less aged, and will remain so through 2017--but the percent of its population that is elderly is growing faster than in the State as a whole (13.5% increase vs. 12.4% increase Statewide), which eventually would erase the difference.

The primary service area has a higher percent of its population enrolled in TennCare, and a higher percent of persons below the poverty level, than the State average.

Table Sixteen: Demographic Characteristics of TN Primary Service Area Counties Of Select Specialty Hospital-Memphis 2013-2017

Demographic	SHELBY	DYER	FAYETTE	GIBSON	LAUDERDALE	MADISON	McNAIRY	TIPTON	PRIMARY SERVICE AREA	STATE OF TENNESSEE
Median Age-2010 US Census										38.0
Total Population-2013	956,126	39,238	39,818	49,303	28,641	101,634	26,476	63,857	1,305,093	6,361,070
Total Population-2017	983,298	40,042	41,841	49,878	29,626	104,914	26,908	67,365	1,343,872	6,575,165
Total Population-% Change 2013 to 2017	2.8%	2.0%	5.1%	1.2%	3.4%	3.2%	1.6%	5.5%	3.0%	3.4%
Age 65+ Population-2013	103,296	5,910	5,960	8,634	3,937	13,277	4,910	7,541	153,465	878,496
% of Total Population	10.8%	15.1%	15.0%	17.5%	13.7%	13.1%	18.5%	11.8%	11.8%	13.8%
Age 65+ Population-2017	118,044	6,515	7,093	9,081	4,442	15,013	5,290	8,748	174,225	987,074
% of Population	12.0%	16.3%	17.0%	18.2%	15.0%	14.3%	19.7%	13.0%	13.0%	15.0%
Age 65+ Population-% Change 2013-2017	14.3%	10.2%	19.0%	5.2%	12.8%	13.1%	7.7%	16.0%	13.5%	12.4%
Median Household Income	$46,102	$38,909	$57,437	$37,577	$34,078	$40,667	$34,953	$50,869	$42,574	$43,314
TennCare Enrollees (08/12)	231,988	9,467	5,686	11,115	7,326	21,161	7,017	11,615	305,375	1,211,113
Percent of 2012 Population Enrolled in TennCare	24.3%	24.1%	14.3%	22.5%	25.6%	20.8%	26.5%	18.2%	23.4%	19.0%
Persons Below Poverty Level (2012)	192,181	7,534	4,659	8,825	7,246	19,514	5,957	9,770	255,686	1,049,577
Persons Below Poverty Level As % of Population (US Census)	20.1%	19.2%	11.7%	17.9%	25.3%	19.2%	22.5%	15.3%	18.9%	16.5%

Sources: TDH Population Projections, Feb. 2008; U.S. Census QuickFacts and FactFinder2;
TennCare Bureau. PSA data is unweighted average or total of county data.
NR means not reported in U.S. Census source document.

C(I).4.B. DESCRIBE THE SPECIAL NEEDS OF THE SERVICE AREA POPULATION, INCLUDING HEALTH DISPARITIES, THE ACCESSIBILITY TO CONSUMERS, PARTICULARLY THE ELDERLY, WOMEN, RACIAL AND ETHNIC MINORITIES, AND LOW-INCOME GROUPS. DOCUMENT HOW THE BUSINESS PLANS OF THE FACILITY WILL TAKE INTO CONSIDERATION THE SPECIAL NEEDS OF THE SERVICE AREA POPULATION.

The service area population does not seem to have special care needs differing from those in other areas of Tennessee. Of all patients discharged from short term acute care stays in service area hospitals, there are always a small number who do not thrive. They require prolonged additional care in an acute care facility-- e.g., a "long term" acute care facility. Their stays average between three and four weeks, in accordance with Medicare expectations. The great majority (4 out of 5) are elderly, vulnerable, Medicare patients.

This project meets those patients' needs. Existing LTACH beds that serve this area are highly occupied, and have been highly occupied for at least four years. A newly approved Memphis LTACH, not yet under construction, seems to be ensured of immediate full occupancy, by patients in its host facility who have not been seeking admission to LTACH beds. The applicant believes that more LTACH beds are needed by residents in rural sectors of this service area. The project will provide needed care to such persons.

C(I).5. DESCRIBE THE EXISTING OR CERTIFIED SERVICES, INCLUDING APPROVED BUT UNIMPLEMENTED CON'S, OF SIMILAR INSTITUTIONS IN THE SERVICE AREA. INCLUDE UTILIZATION AND/OR OCCUPANCY TRENDS FOR EACH OF THE MOST RECENT THREE YEARS OF DATA AVAILABLE FOR THIS TYPE OF PROJECT. BE CERTAIN TO LIST EACH INSTITUTION AND ITS UTILIZATION AND/OR OCCUPANCY INDIVIDUALLY. INPATIENT BED PROJECTS MUST INCLUDE THE FOLLOWING DATA: ADMISSIONS OR DISCHARGES, PATIENT DAYS, AND OCCUPANCY. OTHER PROJECTS SHOULD USE THE MOST APPROPRIATE MEASURES, E.G., CASES, PROCEDURES, VISITS, ADMISSIONS, ETC.

Table Seventeen on the following page presents 2009-2011 Joint Annual Report utilization data filed with the Department of Health by the three LTACH facilities in the service area. They are all in Memphis. The table provides licensed beds, admissions, patient/discharge days, ALOS, ADC, and occupancy for each facility, as well as the averages of those statistics for each year. Utilization of the LTACH provider group, led by Select Specialty, was very strong over the past three years. The most recent reported data for 2011 shows that:

- The average occupancy for service area LTACH's was 86.3% on licensed beds.

- That exceeds the Guidelines for Growth Criterion A.2 which recommends 85% areawide LTACH occupancy before additional LTACH beds are approved.

- Select's occupancy was the highest, at 94.6% of licensed beds.

- The second highest occupancy reported was 86.3%.

- Even the lowest occupancy facility reported almost 76% utilization.

Table Seventeen: Bed Utilization in Primary Service Area 2009-2011

2009 Joint Annual Reports of Hospitals

State ID	Facility Name	County	Licensed Beds	Admissions	Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds
	Select Specialty Hospital--Memphis	Shelby	39	464	13,473	29	37	94.6%
	Baptist Memorial Restorative Care Hospital	Shelby	30	240	9,331	39	26	85.2%
	Methodist Extended Care Hospital	Shelby	36	425	11,757	28	32	89.5%
	SERVICE AREA TOTALS		**105**	**1,129**	**34,561**	31	95	90.2%

2010 Joint Annual Reports of Hospitals

State ID	Facility Name	County	Licensed Beds	Admissions	Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds
	Select Specialty Hospital--Memphis	Shelby	39	426	12,680	30	35	89.1%
	Baptist Memorial Restorative Care Hospital	Shelby	30	236	8,015	34	22	73.2%
	Methodist Extended Care Hospital	Shelby	36	419	11,379	27	31	86.6%
	SERVICE AREA TOTALS		**105**	**1,081**	**32,074**	30	88	83.7%

2011 Joint Annual Reports of Hospitals

State ID	Facility Name	County	Licensed Beds	Admissions	Days	Avg Length of Stay (Days)	Avg Daily Census (Patients)	Occupancy on Licensed Beds
	Select Specialty Hospital--Memphis	Shelby	39	418	13,469	32	37	94.6%
	Baptist Memorial Restorative Care Hospital	Shelby	30	207	8,267	40	23	75.5%
	Methodist Extended Care Hospital	Shelby	36	434	11,337	26	31	86.3%
	SERVICE AREA TOTALS		**105**	**1,059**	**33,073**	31	91	86.3%

C(I).6. PROVIDE APPLICABLE UTILIZATION AND/OR OCCUPANCY STATISTICS FOR YOUR INSTITUTION FOR EACH OF THE PAST THREE (3) YEARS AND THE PROJECTED ANNUAL UTILIZATION FOR EACH OF THE TWO (2) YEARS FOLLOWING COMPLETION OF THE PROJECT. ADDITIONALLY, PROVIDE THE DETAILS REGARDING THE METHODOLOGY USED TO PROJECT UTILIZATION. THE METHODOLOGY MUST INCLUDE DETAILED CALCULATIONS OR DOCUMENTATION FROM REFERRAL SOURCES, AND IDENTIFICATION OF ALL ASSUMPTIONS.

Table Eighteen below shows the facility's historical utilization 2009-2012, and management's projections for its utilization through CY2017, which will be Year Four of this project. Select Specialty Hospital management has experienced extraordinarily high demand for its beds for the past four years, averaging 93% occupancy on 39 beds. Due to lack of bed space, Select has had to deny requests for qualified admissions during 17 of the past 22 months. Select does not maintain logs of "unduplicated patient" admissions requests. But during most months, an average of a dozen requests for admissions must be deferred for lack of bed space.

As Select expands its outreach marketing in Mississippi, Arkansas, and rural West Tennessee in CY2013, additional admissions demand is predictable. With its proposed additional beds, Select projects that between 2012 and 2015 (Year Two) its admissions will increase by an average of approximately 96 new admissions per year, and its average daily census will increase by an average of approximately 7 per year.

Table Eighteen: Historical and Projected Utilization
Select Specialty Hospital-Memphis
2009-2012 Annualized

Year	Beds	Admissions	Days	Average Daily Census	Occupancy
CY2009	39	464	13,473	37	94.6%
CY2010	39	426	12,680	35	89.1%
CY2011	39	418	13,469	37	94.6%
CY2012 (ann'd)	39	466	13,357	37	93.8%
4-year Average	**39**	**444**	**13,425**	**37**	**93.0%**
CY2013	49	534	15,527	43	85.3%
CY2014 Yr 1	77	677	19,345	53	68.8%
CY2015 Yr 2	77	753	21,535	59	76.6%
CY2016 Yr 3	77	843	24,090	66	85.7%
CY2017 Yr 4	77	887	25,368	70	93.8%

Source: Joint Annual Reports; hospital records; management projections. Occupancy calculated on 365 days without leap year consideration. Admissions and ADC rounded.

C(II)1. PROVIDE THE COST OF THE PROJECT BY COMPLETING THE PROJECT COSTS CHART ON THE FOLLOWING PAGE. JUSTIFY THE COST OF THE PROJECT.

• ALL PROJECTS SHOULD HAVE A PROJECT COST OF AT LEAST $3,000 ON LINE F (MINIMUM CON FILING FEE). CON FILING FEE SHOULD BE CALCULATED ON LINE D.

• THE COST OF ANY LEASE (BUILDING, LAND, AND/OR EQUIPMENT) SHOULD BE BASED ON FAIR MARKET VALUE OR THE TOTAL AMOUNT OF THE LEASE PAYMENTS OVER THE INITIAL TERM OF THE LEASE, WHICHEVER IS GREATER. NOTE: THIS APPLIES TO ALL EQUIPMENT LEASES INCLUDING BY PROCEDURE OR "PER CLICK" ARRANGEMENTS. THE METHODOLOGY USED TO DETERMINE THE TOTAL LEASE COST FOR A "PER CLICK" ARRANGEMENT MUST INCLUDE, AT A MINIMUM, THE PROJECTED PROCEDURES, THE "PER CLICK" RATE AND THE TERM OF THE LEASE.

• THE COST FOR FIXED AND MOVEABLE EQUIPMENT INCLUDES, BUT IS NOT NECESSARILY LIMITED TO, MAINTENANCE AGREEMENTS COVERING THE EXPECTED USEFUL LIFE OF THE EQUIPMENT; FEDERAL, STATE, AND LOCAL TAXES AND OTHER GOVERNMENT ASSESSMENTS; AND INSTALLATION CHARGES, EXCLUDING CAPITAL EXPENDITURES FOR PHYSICAL PLANT RENOVATION OR IN-WALL SHIELDING, WHICH SHOULD BE INCLUDED UNDER CONSTRUCTION COSTS OR INCORPORATED IN A FACILITY LEASE.

• FOR PROJECTS THAT INCLUDE NEW CONSTRUCTION, MODIFICATION, AND/OR RENOVATION; DOCUMENTATION MUST BE PROVIDED FROM A CONTRACTOR AND/OR ARCHITECT THAT SUPPORT THE ESTIMATED CONSTRUCTION COSTS.

The letter supporting the construction cost estimate is being submitted to the Agency under separate cover, to be placed in Attachment C, Economic Feasibility--1.

On the Project Costs Chart, following this response:

Line A.1, A&E fees, were estimated by the Development staff of Select Medical Corporation.

Line A.2, legal, administrative, and consultant fees, were estimated by the Development staff of Select Medical Corporation and the CON consultant.

Line A.5, construction cost, was estimated not to exceed $95 PSF for all clinical areas of the 11th floor (excluding elevators, etc.) This includes a construction contingency.

Line A.7 includes both fixed and moveable equipment costs, estimated by Select Medical Corporation's equipment planning staff.

Line A.9 includes such costs as miscellaneous minor equipment and furnishings, miscellaneous fees and overhead, IT, and telecommunications.

Line B.1 is the fair market value of the facility being leased, calculated in the two alternative ways required by staff rules. The market value of the space was the larger of these two alternative calculations and was used in the Project Cost Chart.

Lease Outlay Method:

5 years first lease extension term; additional rent for 28 beds = $2,421,184

Pro Rata Building Value Method:

$150 PSF estimated depreciated value X 21,677 SF leased = $3,251,550

PROJECT COSTS CHART--BED EXPANSION FOR SELECT SPECIALTY HOSPITAL MEMPHIS

A.	Construction and equipment acquired by purchase:			
1.	Architectural and Engineering Fees	6.5%xA.5	$	133,855
2.	Legal, Administrative, Consultant Fees (Excl CON Filing)			55,000
3.	Acquisition of Site			0
4.	Preparation of Site			0
5.	Construction Cost	$95 PSF X 21,677 PSF		2,059,315
6.	Contingency Fund	in A.5		0
7.	Fixed Equipment (Not included in Construction Contract)			0
8.	Moveable Equipment (List all equipment over $50,000)			1,263,185
9.	Other (Specify) IT, telecommun, etc			120,000
B.	Acquisition by gift, donation, or lease:			
1.	Facility (inclusive of building and land)			3,251,550
2.	Building only			0
3.	Land only			0
4.	Equipment (Specify)			0
5.	Other (Specify)			0
C.	Financing Costs and Fees:			
1.	Interim Financing			0
2.	Underwriting Costs			0
3.	Reserve for One Year's Debt Service			0
4.	Other (Specify)			0
D.	Estimated Project Cost (A+B+C)			6,882,905
E.	CON Filing Fee			15,487
F.	Total Estimated Project Cost (D+E)		TOTAL $	6,898,392
			Actual Capital Cost	3,646,842
			Section B FMV	3,251,550

C(II).2. IDENTIFY THE FUNDING SOURCES FOR THIS PROJECT.

a. PLEASE CHECK THE APPLICABLE ITEM(S) BELOW AND BRIEFLY SUMMARIZE HOW THE PROJECT WILL BE FINANCED. (DOCUMENTATION FOR THE TYPE OF FUNDING MUST BE INSERTED AT THE END OF THE APPLICATION, IN THE CORRECT ALPHANUMERIC ORDER AND IDENTIFIED AS ATTACHMENT C, ECONOMIC FEASIBILITY--2).

_____A. Commercial Loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;

_____B. Tax-Exempt Bonds--copy of preliminary resolution or a letter from the issuing authority, stating favorable contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;

_____C. General Obligation Bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting;

_____D. Grants--Notification of Intent form for grant application or notice of grant award;

__x___E. Cash Reserves--Appropriate documentation from Chief Financial Officer; or

_____F. Other--Identify and document funding from all sources.

The project will be funded/financed by the hospital, from reserves available currently. Documentation of intent to finance is provided in Attachment C, Economic Feasibility--2. The hospital's income statement and balance sheet are also provided in the Attachments.

C(II).3. DISCUSS AND DOCUMENT THE REASONABLENESS OF THE PROPOSED PROJECT COSTS. IF APPLICABLE, COMPARE THE COST PER SQUARE FOOT OF CONSTRUCTION TO SIMILAR PROJECTS RECENTLY APPROVED BY THE HSDA.

The justification of costs was provided in an earlier section, which is repeated below.

This project is more economical than most. By comparison, the estimated $2,059,315 remodeling/renovation cost for the project is projected to be only $95 PSF. The 2009-2011 acute care construction projects approved by the HSDA had the costs per SF shown in Table Three below. This project's $95 PSF cost is below even 1st quartile averages for renovation ($125 PSF).

Table Four: Hospital Construction Cost PSF
Years: 2009 – 2011

	Renovated Construction	New Construction	Total Construction
1st Quartile	$125.84/sq ft	$235.86/sq ft	$167.99/sq ft
Median	$177.60/sq ft	$274.63/sq ft	$249.32/sq ft
3rd Quartile	$125.84/sq ft	$324.00/sq ft	$301.74/sq ft

Source: CON approved applications for years 2009 through 2011

C(II).4. COMPLETE HISTORICAL AND PROJECTED DATA CHARTS ON THE FOLLOWING TWO PAGES--DO NOT MODIFY THE CHARTS PROVIDED OR SUBMIT CHART SUBSTITUTIONS. HISTORICAL DATA CHART REPRESENTS REVENUE AND EXPENSE INFORMATION FOR THE LAST THREE (3) YEARS FOR WHICH COMPLETE DATA IS AVAILABLE FOR THE INSTITUTION. PROJECTED DATA CHART REQUESTS INFORMATION FOR THE TWO YEARS FOLLOWING COMPLETION OF THIS PROPOSAL. PROJECTED DATA CHART SHOULD INCLUDE REVENUE AND EXPENSE PROJECTIONS FOR THE PROPOSAL ONLY (I.E., IF THE APPLICATION IS FOR ADDITIONAL BEDS, INCLUDE ANTICIPATED REVENUE FROM THE PROPOSED BEDS ONLY, NOT FROM ALL BEDS IN THE FACILITY).

See the following pages for these charts, with notes where applicable. Select has provided Projected Data Charts for the 28 beds being requested, and also for the entire 77 bed facility when the 28 beds are opened. Itemization of the "other" expenses listed on both historical and projected charts is provided on a single sheet following the data charts.

HISTORICAL DATA CHART -- SELECT SPECIALTY HOSPITAL MEMPHIS (39 BEDS)

Give information for the last three (3) years for which complete data are available for the facility or agency.
The fiscal year begins in JANUARY.

		CY 2009	CY2010	CY2011
A.	Utilization Data (JAR discharge days) & Occupancy	13,473 / 94.6%	12,680 / 89.1%	13,470 / 94.6%
B.	Revenue from Services to Patients			
1.	Inpatient Services	$ 48,966,179	50,227,911	55,365,667
2.	Outpatient Services			
3.	Emergency Services			
4.	Other Operating Revenue (rental & interest income)	79,722	25,093	23,599
	(Specify) See notes			
	Gross Operating Revenue	$ 49,045,901	$ 50,253,004	$ 55,389,266
C.	Deductions for Operating Revenue			
1.	Contractual Adjustments	$ 27,550,747	29,520,092	34,254,860
2.	Provision for Charity Care (see notes)			
3.	Provisions for Bad Debt	196,718	245,189	651,376
	Total Deductions	$ 27,747,465	$ 29,765,281	$ 34,906,236
	NET OPERATING REVENUE	$ 21,298,436	$ 20,487,723	$ 20,483,030
D.	Operating Expenses			
1.	Salaries and Wages	$ 8,641,388	8,604,828	8,821,665
2.	Physicians Salaries and Wages	0	0	0
3.	Supplies	2,240,036	2,316,600	2,426,988
4.	Taxes	1,234,633	1,259,246	1,361,619
5.	Depreciation	147,159	105,836	79,709
6.	Rent	392,898	575,151	643,405
7.	Interest, other than Capital	1,234	0	0
8.	Management Fees			
	a. Fees to Affiliates	1,571,477	1,223,660	1,257,018
	b. Fees to Non-Affiliates	0	0	0
9.	Other Expenses (Specify) See notes	3,878,534	4,519,743	4,803,389
	Total Operating Expenses	$ 18,107,359	18,605,064	19,393,793
E.	Other Revenue (Expenses) -- Net (Specify)	$	$	$
	NET OPERATING INCOME (LOSS)	$ 3,191,077	$ 1,882,659	$ 1,089,237
F.	Capital Expenditures			
1.	Retirement of Principal	$ 0	$ 0	$ 0
2.	Interest	0	0	0
	Total Capital Expenditures	$ 0	$ 0	$ 0
	NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	$ 3,191,077	$ 1,882,659	$ 1,089,237

PROJECTED DATA CHART—SELECT SPECIALTY HOSPITAL MEMPHIS (28 BEDS)

Give information for the two (2) years following the completion of this proposal.
The fiscal year begins in January.

			Year 2014	Year 2015
		Admissions	143	218
A.	Utilization Data	Patient Days	4,088	6,241
B.	Revenue from Services to Patients			
	1. Inpatient Services		$ 18,561,633	$ 29,145,658
	2. Outpatient Services			
	3. Emergency Services			
	4. Other Operating Revenue (Specify)			
		Gross Operating Revenue	$ 18,561,633	$ 29,145,658
C.	Deductions for Operating Revenue			
	1. Contractual Adjustments		$ 12,139,708	$ 19,260,772
	2. Provision for Charity Care			
	3. Provisions for Bad Debt		147,705	227,353
		Total Deductions	$ 12,287,413	$ 19,488,125
NET OPERATING REVENUE			$ 6,274,220	$ 9,657,533
D.	Operating Expenses			
	1. Salaries and Wages		$ 2,524,940	$ 4,202,548
	2. Physicians Salaries and Wages			
	3. Supplies		683,120	1,046,201
	4. Taxes	38.5% avg 09-11	171,224	321,213
	5. Depreciation		313,099	313,100
	6. Rent		442,585	455,863
	7. Interest, other than Capital			
	8. Management Fees			
	a. Fees to Affiliates	6% assumed	376,453	579,452
	b. Fees to Non-Affiliates			
	9. Other Expenses (Specify)	See notes	1,489,285	2,226,050
		Total Operating Expenses	$ 6,000,706	$ 9,144,427
E.	Other Revenue (Expenses) -- Net (Specify)		$	$
NET OPERATING INCOME (LOSS)			$ 273,514	$ 513,106
F.	Capital Expenditures			
	1. Retirement of Principal		$	$
	2. Interest			
		Total Capital Expenditures	$ 0	$ 0
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES			$ 273,514	$ 513,106

PROJECTED DATA CHART--SELECT SPECIALTY HOSPITAL MEMPHIS (77 BEDS)

Give information for the two (2) years following the completion of this proposal.

The fiscal year begins in January.

			Year 2014	Year 2015
A.	Utilization Data	Admissions	677	753
		Patient Days	19,345	21,535
B.	Revenue from Services to Patients			
	1. Inpatient Services		$ 87,875,704	$ 100,672,847
	2. Outpatient Services			
	3. Emergency Services			
	4. Other Operating Revenue (Specify)			
		Gross Operating Revenue	$ 87,875,704	$ 100,672,847
C.	Deductions for Operating Revenue			
	1. Contractual Adjustments		$ 57,572,330	$ 66,547,039
	2. Provision for Charity Care			
	3. Provisions for Bad Debt		696,978	784,894
		Total Deductions	$ 58,269,308	$ 67,331,933
NET OPERATING REVENUE			$ 29,606,396	$ 33,340,914
D.	Operating Expenses			
	1. Salaries and Wages		$ 13,053,243	$ 14,860,264
	2. Physicians Salaries and Wages			
	3. Supplies		3,405,684	3,786,145
	4. Taxes	38.5% avg 09-11	871,781	1,046,702
	5. Depreciation		458,291	472,577
	6. Rent		1,217,585	1,254,113
	7. Interest, other than Capital			
	8. Management Fees			
	a. Fees to Affiliates	6% assumed	1,776,384	2,000,455
	b. Fees to Non-Affiliates			
	9. Other Expenses (Specify)	See notes	7,430,843	8,248,654
		Total Operating Expenses	$ 28,213,811	$ 31,668,910
E.	Other Revenue (Expenses) -- Net (Specify)		$	$
NET OPERATING INCOME (LOSS)			$ 1,392,585	$ 1,672,004
F.	Capital Expenditures			
	1. Retirement of Principal		$	$
	2. Interest			
		Total Capital Expenditures	$ 0	$ 0
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES			$ 1,392,585	$ 1,672,004

Other Expenses (Line D.8)	HISTORICAL 39 BEDS			PROJECTION 28 BEDS				PROJECTION 77 BEDS			
	2009	2010	2011	Year 1	Year 2	Year 3	Year 4	Year 1	Year 2	Year 3	Year 4
Insurance	90,177	103,968	114,612	24,581	44,212	65,407	73,703	155,678	176,687	198,949	209,799
Utilities	28,729	25,870	32,564	60,984	62,839	64,750	66,719	162,624	177,709	183,114	198,822
Legal & Accounting	47,872	43,931	37,401	10,286	18,501	27,370	30,842	65,146	73,937	83,253	87,794
Repairs & Maintenance	135,452	255,634	114,629	40,261	72,415	107,130	120,718	254,985	289,396	325,859	343,631
Travel/Meals & Entertainment	230,685	223,143	225,357	54,071	97,256	143,878	162,127	342,451	388,665	437,636	461,504
Contracted Physicians	72,620	66,215	146,606	22,724	40,874	60,468	68,137	143,922	163,344	183,925	193,956
Ancillary Patient Services	2,699,937	3,072,318	3,357,487	1,044,527	1,603,788	2,225,401	2,515,522	4,943,096	5,533,789	6,223,838	6,572,775
Equipment Rentals	303,945	492,203	507,552	170,330	175,510	180,848	186,349	973,311	1,002,915	1,033,419	1,052,685
Corporate Services	269,117	236,462	267,181	61,521	110,655	163,701	184,464	389,631	442,213	497,931	525,087
Total Other (D.9)	3,878,534	4,519,743	4,803,389	1,489,285	2,226,050	3,038,953	3,408,581	7,430,843	8,248,654	9,167,925	9,646,053

C(II).5. PLEASE IDENTIFY THE PROJECT'S AVERAGE GROSS CHARGE, AVERAGE DEDUCTION FROM OPERATING REVENUE, AND AVERAGE NET CHARGE.

Table Nineteen: Average Charges, Deductions, Net Charges, Net Operating Income 28 Additional Beds		
	CY2014	**CY2015**
Patient **Days**	**4,088**	**6,241**
Admissions or Discharges	143	218
Average Gross Charge **Per Day**	**$4,541**	**$4670**
Average Gross Charge Per Admission	$129,802	$133,696
Average Deduction from Operating Revenue/**Day**	**$3,006**	**$3,123**
Average Deduction from Operating Revenue/Admission	$85,926	$89,395
Average Net Charge (Net Operating Revenue)/**Day**	**$1,535**	**$1547**
Average Net Charge (Net Operating Revenue)/Admission	$43,876	$44,301
Average Net Operating Income after Expenses/**Day**	**$67**	**$82**
Average Net Operating Income after Expenses/Admission	$1,913	$2,354

Table Twenty: Average Charges, Deductions, Net Charges, Net Operating Income 77 Total Beds		
	CY2014	**CY2015**
Patient **Days**	**19,345**	**21,535**
Admissions or Discharges	677	753
Average Gross Charge **Per Day**	**$4,543**	**$4,675**
Average Gross Charge Per Admission	$129,802	$133,696
Average Deduction from Operating Revenue/**Day**	**$3,012**	**$3,127**
Average Deduction from Operating Revenue/Admission	$86,070	$89,418
Average Net Charge (Net Operating Revenue)/**Day**	**$1,530**	**$1,548**
Average Net Charge (Net Operating Revenue)/Admission	$43,732	$44,277
Average Net Operating Income after Expenses/**Day**	**$72**	**$78**
Average Net Operating Income after Expenses/Admission	$2057	$2,220

C(II).6.A. PLEASE PROVIDE THE CURRENT AND PROPOSED CHARGE SCHEDULES FOR THE PROPOSAL. DISCUSS ANY ADJUSTMENT TO CURRENT CHARGES THAT WILL RESULT FROM THE IMPLEMENTATION OF THE PROPOSAL. ADDITIONALLY, DESCRIBE THE ANTICIPATED REVENUE FROM THE PROPOSED PROJECT AND THE IMPACT ON EXISTING PATIENT CHARGES.

Please see Table Twenty-One on the following page. It shows the gross charge and DRG payment for the most frequent admissions of this hospital.

The renovation project will not have any adverse impact on gross patient charges, which increased approximately 3% from 2010 to 2011, and are projected to increase approximately that amount annually, whether or not the project is implemented.

Table Twenty-One: Charge Data for Most Frequent Types of Admission
Select Specialty Hospital--Memphis

Service: Long Term Hospital Care

DRG	Descriptor	Current Medicare DRG	Average Gross Charge		
			Current	Year 1	Year 2
207	Respiratory system diagnosis w ventilator support 96+ hours	75,187.05	162,337	167,207	172,223
189	Pulmonary Edema & respiratory failure	35,833.94	79,332	81,712	84,163
208	Respiratory system diagnosis w ventilator support <96 hours	41,606.91	69,884	71,981	74,140
539	Osteomyelitis w MCC	40,083.86	78,718	81,080	83,512
592	Skin Ulcers w MCC	33,491.68	74,819	77,064	79,376
949	Aftercare w CC/MCC	27,257.18	52,266	53,834	55,449
981	Extensive O.R. procedure unrelated to principal diagnosis w MCC	81,389.05	230,798	237,722	244,854
4	Trach w MV 96+ hours or PDX exc face, mouth & neck w/o major OR	114,586.31	208,712	214,974	221,423
559	Aftercare, musculoskeletal system & connective tissue w MCC	35,360.87	86,742	89,345	92,025
870	Septicemia or severe sepsis w MV 96+ hours	79,713.89	178,621	183,980	189,499
3	ECMO or trach w MV 96+ hours or PDX exc face, mouth & neck w maj O.R.	159,754.69	377,125	388,439	400,092
314	Other circulatory system diagnosis w MCC	37,095.46	85,573	88,141	90,785
463	WND Debrid & skin graft exc hand, for musculo-conn tissue dis w MCC	55,745.11	181,628	187,077	192,689
871	Septicemia or severe sepsis w/o MV 96+ hours w MCC	33,772.44	65,758	67,730	69,762
638	Diabetes w CC	27,687.94	58,137	59,881	61,678
	All Others	22,454.60	53,581	55,188	56,844

Source: Hospital management

C(II).6.B. COMPARE THE PROPOSED CHARGES TO THOSE OF SIMILAR FACILITIES IN THE SERVICE AREA/ADJOINING SERVICE AREAS, OR TO PROPOSED CHARGES OF PROJECTS RECENTLY APPROVED BY THE HSDA. IF APPLICABLE, COMPARE THE PROJECTED CHARGES OF THE PROJECT TO THE CURRENT MEDICARE ALLOWABLE FEE SCHEDULE BY COMMON PROCEDURE TERMINOLOGY (CPT) CODE(S).

The requested Medicare comparison is provided in the table on the preceding page. The table below compares the most recently reported gross charge data for the two operating LTACH's and a third approved LTACH in this service area.

Table Twenty-Two: Comparative Charges Per Patient Day In Shelby County LTACH Facilities 2011 Joint Annual Reports / CN1210-052 (Mem.LT Care Spec'y)

LTACH's	Gross Inpatient Charges	IP or Discharge Days	Gross Charge Per Day
Select Specialty CY 2011	$55,365,667	13,469	$4,111
Select Specialty CY 2015	$100,672,847	21,535	$4,675
Baptist Restor. Care CY2011	$44,353,983	8,267	$5,365
Methodist Ext. Care CY2011	$37,557,166	11,337	$3,313
Memph LT Care Spec CY2015	$28,143,153	8,322	$3,382
Average Gross Charge/Day, LTACH's in Shelby County	*$266,092,816*	*62,930*	*$4,228*
GENERAL HOSPITALS			
Baptist Memorial Hospital	$1,114,429,673	175,949	$6,334
Baptist Memorial Hospital Colliersville	$67,917,234	10,097	$6,726
Methodist Healthcare North	$368,520,300	58,820	$6,265
Methodist Healthcare South	$193,638,469	33,495	$5,781
Methodist Healthcare Germantown	$530,677,072	76,854	$6,905
Methodist LeBonheur Hospital	$436,975,498	56,884	$7,682
Methodist Healthcare University	$933,893,298	124,109	$7,525
Saint Francis Hospital	$812,315,392	89,083	$9,119
Saint Francis Hospital Bartlett	$281,098,187	29,947	$9,387
Delta Medical Center	$88,137,038	33,560	$2,626
The MED (Regl Med Center @ Mem)	$847,127,594	90,772	$9,332
Average Gross Charge/Day, General Hospitals in Shelby County	*$5,674,729,755*	*779,570*	*$7,279*

Source: Joint Annual Reports of Hospitals, 2011, pp. 18 & 24; CN1210-052 for Memphis Long Term Care Specialty Hospital; its data is for Year 1 (2015/16). Select Specialty data for 2015 is from this application.

C(II).7. DISCUSS HOW PROJECTED UTILIZATION RATES WILL BE SUFFICIENT TO MAINTAIN COST-EFFECTIVENESS.

The hospital is already cost-effective and operates with a positive financial margin. Additional census will support continued financial viability.

C(II).8. DISCUSS HOW FINANCIAL VIABILITY WILL BE ENSURED WITHIN TWO YEARS; AND DEMONSTRATE THE AVAILABILITY OF SUFFICIENT CASH FLOW UNTIL FINANCIAL VIABILITY IS MAINTAINED.

The hospital operates with a positive financial margin. Additional census will support continued financial viability. Cash flow is not an issue; this is an existing facility with established reimbursement and positive cash flow at all times.

C(II).9. DISCUSS THE PROJECT'S PARTICIPATION IN STATE AND FEDERAL REVENUE PROGRAMS, INCLUDING A DESCRIPTION OF THE EXTENT TO WHICH MEDICARE, TENNCARE/MEDICAID, AND MEDICALLY INDIGENT PATIENTS WILL BE SERVED BY THE PROJECT. IN ADDITION, REPORT THE ESTIMATED DOLLAR AMOUNT OF REVENUE AND PERCENTAGE OF TOTAL PROJECT REVENUE ANTICIPATED FROM EACH OF TENNCARE, MEDICARE, OR OTHER STATE AND FEDERAL SOURCES FOR THE PROPOSAL'S FIRST YEAR OF OPERATION.

The hospital in Q1-Q3 2012 had a payor mix of 80.02% Medicare, 3.3% Medicaid, 15.48% Commercial and Workmen's Comp, and 1.3% other. The projections assume that the Medicare and Medicaid payor mix will remain the same though CY2015.

Table Twenty-Three: Select Specialty Hospital-Memphis Medicare and Medicaid Gross Revenue (28-bed P&L) Year One (CY2014)	
Total Gross Revenue	$18,561,633
Medicare Gross Revenue	$14,853,019
% of Gross Revenue	80.02%
Medicaid Gross Revenue	$618,102
% of Gross Revenue	3.33%

Source: Hospital records.

C(II).10. PROVIDE COPIES OF THE BALANCE SHEET AND INCOME STATEMENT FROM THE MOST RECENT REPORTING PERIOD OF THE INSTITUTION, AND THE MOST RECENT AUDITED FINANCIAL STATEMENTS WITH ACCOMPANYING NOTES, IF APPLICABLE. FOR NEW PROJECTS, PROVIDE FINANCIAL INFORMATION FOR THE CORPORATION, PARTNERSHIP, OR PRINCIPAL PARTIES INVOLVED WITH THE PROJECT. COPIES MUST BE INSERTED AT THE END OF THE APPLICATION, IN THE CORRECT ALPHANUMERIC ORDER AND LABELED AS ATTACHMENT C, ECONOMIC FEASIBILITY--10.

These are provided as Attachment C, Economic Feasibility--10.

C(II)11. DESCRIBE ALL ALTERNATIVES TO THIS PROJECT WHICH WERE CONSIDERED AND DISCUSS THE ADVANTAGES AND DISADVANTAGES OF EACH ALTERNATIVE, INCLUDING BUT NOT LIMITED TO:

A. A DISCUSSSION REGARDING THE AVAILABILITY OF LESS COSTLY, MORE EFFECTIVE, AND/OR MORE EFFICIENT ALTERNATIVE METHODS OF PROVIDING THE BENEFITS INTENDED BY THE PROPOSAL. IF DEVELOPMENT OF SUCH ALTERNATIVES IS NOT PRACTICABLE, THE APPLICANT SHOULD JUSTIFY WHY NOT, INCLUDING REASONS AS TO WHY THEY WERE REJECTED.

B. THE APPLICANT SHOULD DOCUMENT THAT CONSIDERATION HAS BEEN GIVEN TO ALTERNATIVES TO NEW CONSTRUCTION, E.G., MODERNIZATION OR SHARING ARRANGEMENTS. IT SHOULD BE DOCUMENTED THAT SUPERIOR ALTERNATIVES HAVE BEEN IMPLEMENTED TO THE MAXIMUM EXTENT PRACTICABLE.

The alternative of not adding beds at this location was rejected for several reasons. First, the hospital has coped with very high 93% occupancy and routine deferrals of qualified admissions for several years--due to lack of bed space. It is appropriate to respond to this demand without more delay. Second, the availability of beds for conversion, immediately below the existing LTACH floor, offers a feasible opportunity to expand the operation efficiently without relocation or new construction, at a low capital cost. Third, visits to hospitals and physicians in the outlying counties of the service area have convinced hospital management that significant latent additional need for long term acute inpatient care exists there, which Select can meet if it undertakes the approved and proposed bed expansions that will utilize the 11th floor.

The alternative of delaying for the MED's new LTACH to meet market demand was not a reasonable one. The MED's representatives have told the HSDA that the MED's own internal demand for these beds, from patients not now using LTACH beds in the community, is more than enough to completely fill the 24 beds being acquired and moved to the MED campus. That leaves the three existing LTACH's to meet other service area hospitals' needs. Being the most highly utilized of the three, and having no information about the intent or ability of the other two LTACH's to expand as economically at their present locations, Select feels that this proposed expansion is timely and is the best alternative for the service area.

C(III).1. LIST ALL EXISTING HEALTH CARE PROVIDERS (I.E., HOSPITALS, NURSING HOMES, HOME CARE ORGANIZATIONS, ETC.) MANAGED CARE ORGANIZATIONS, ALLIANCES, AND/OR NETWORKS WITH WHICH THE APPLICANT CURRENTLY HAS OR PLANS TO HAVE CONTRACTUAL AGREEMENTS FOR HEALTH SERVICES.

Select Specialty Hospital is located within the tertiary Saint Francis Hospital. Saint Francis is its "host", in LTACH language. Select contracts with the host hospital and the host's vendors to deliver the ancillary and support services needed by its patients. This includes food and janitorial services, diagnostic imaging and testing, surgery if required, and health professional consults and support on a 24-hour basis. The latter includes all types of physician services that may be needed.

C(III).2. DESCRIBE THE POSITIVE AND/OR NEGATIVE EFFECTS OF THE PROPOSAL ON THE HEALTH CARE SYSTEM. PLEASE BE SURE TO DISCUSS ANY INSTANCES OF DUPLICATION OR COMPETITION ARISING FROM YOUR PROPOSAL, INCLUDING A DESCRIPTION OF THE EFFECT THE PROPOSAL WILL HAVE ON THE UTILIZATION RATES OF EXISTING PROVIDERS IN THE SERVICE AREA OF THE PROJECT.

Select Specialty Hospital does not project that the project will have any significant or persistent impact on the other existing or approved LTACH providers in this vast 43-county service area.

The preceding response indicated why this project should have no impact on the MED's intended operation of 24 LTACH beds on its campus (they will be completely utilized by MED patients who are not now using LTACH care; and there are sufficient numbers of those patients in the MED to utilize even more beds than the MED has proposed).

With respect to the Baptist and Methodist LTACH's, Select works well with both healthcare systems and believes that their LTACH facilities enjoy high occupancy and a strong positive margin that will not be reduced significantly by Select's provision of beds to meet Select's own demonstrated admissions needs.

There is no way to quantify the impact exactly, but Select believes it would be small, and of short duration. Select anticipates drawing most of its new patients from large hospital providers outside of Memphis, who do not yet have strong referral relationships with hospital systems in Memphis. Currently, eleven hospitals routinely refer patients to Select Specialty Hospital. Management has begun field visits that will result in additional hospitals starting to refer patients routinely to Select in Memphis.

C(III).3. PROVIDE THE CURRENT AND/OR ANTICIPATED STAFFING PATTERN FOR ALL EMPLOYEES PROVIDING PATIENT CARE FOR THE PROJECT. THIS CAN BE REPORTED USING FTE'S FOR THESE POSITIONS. IN ADDITION, PLEASE COMPARE THE CLINICAL STAFF SALARIES IN THE PROPOSAL TO PREVAILING WAGE PATTERNS IN THE SERVICE AREA AS PUBLISHED BY THE TENNESSEE DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT AND/OR OTHER DOCUMENTED SOURCES.

See Table Twenty-Four below for data from the Tennessee Department of Labor and Workforce Development. See the following page for Table Twenty-Five, showing current and projected FTE's and salary ranges for this project.

Table Twenty-Four: TDOL Surveyed Average Hourly Salaries for the Region

Position	Entry Level	Mean	Median	Experienced
RN	23.55	31.70	29.35	35.80
LPN	15.90	19.05	18.90	20.65
CNA	8.95	11.10	10.90	12.20
PT	31.25	40.95	39.75	45.80
PTA	21.10	28.20	29.95	31.75
OT	27.30	35.80	36.05	40.05
Resp. Therapist	19.85	23.55	23.50	25.40
Speech Therap.	22.80	31.35	30.10	35.60
Pharmacist	45.15	55.50	57.65	60.65
Pharmacy Tech	8.90	11.30	11.15	12.50

Source: 2012 Salary Surveys, Memphis Area, TN Dept of Labor & Workforce Dev'mt

C(III).3. PROVIDE THE CURRENT AND/OR ANTICIPATED STAFFING PATTERN FOR ALL EMPLOYEES PROVIDING PATIENT CARE FOR THE PROJECT. THIS CAN BE REPORTED USING FTE'S FOR THESE POSITIONS. IN ADDITION, PLEASE COMPARE THE CLINICAL STAFF SALARIES IN THE PROPOSAL TO PREVAILING WAGE PATTERNS IN THE SERVICE AREA AS PUBLISHED BY THE TENNESSEE DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT AND/OR OTHER DOCUMENTED SOURCES.

Please see the following page for Table Twenty-Five, showing projected FTE's and salary ranges for the project. Current staffing is included.

Table Twenty-Five: Select Specialty Hospital--Memphis Addition of Licensed Beds Current and Projected Staffing					
Position Type (RN, etc.)	Current FTE's	Year One Projected FTE's	Year Two Projected FTE's	Change, Year Two from Current	Salary Range (Hourly)
Admissions Coordinator	2.0	2.0	2.0	-	$ 16.14
Case Management Secretary	1.0	1.0	1.0	-	$ 13.18
Case Manager	1.0	3.0	3.0	2.0	$ 34.02
Clinical Liaison	4.0	4.0	4.0	-	$ 29.34
C.N.A.	30.6	41.6	46.3	15.7	$ 11.33
HIM Tech	2.0	2.0	2.0	-	$ 14.66
Infection Control	1.0	1.5	1.6	0.6	$ 35.00
LPN	3.0	-	-	(3.0)	$ 20.88
Materials Tech	1.0	1.0	1.5	0.5	$ 17.48
Monitor Tech	4.7	4.7	4.7	-	$ 12.50
Non-Clinical	6.0	6.0	6.0	-	$ 37.51
Occupational Therapy	2.0	3.0	3.0	1.0	$ 45.00
Pharmacist	4.0	4.0	4.0	-	$ 54.28
Pharmacy Tech	1.0	2.4	2.5	1.5	$ 18.15
PT	1.0	2.0	2.0	1.0	$ 40.58
PT Assistant	2.0	2.0	2.0	-	$ 29.01
RN	39.6	56.8	62.9	23.3	$ 32.36
Respiratory Therapist	13.6	18.5	20.6	7.0	$ 22.50
Speech Pathologist	1.0	2.0	2.0	1.0	$ 38.57
Staffing Coordinator	1.0	1.0	1.0	-	$ 11.00
Unit Secretary	4.7	9.4	9.4	4.7	$ 11.53
Wound Care Specialist	2.0	2.0	2.5	0.5	$ 31.66
Total FTE's	128.2	167.9	181.5	55.8	

Source: Hospital Management

C(III).4. DISCUSS THE AVAILABILITY OF AND ACCESSIBILITY TO HUMAN RESOURCES REQUIRED BY THE PROPOSAL, INCLUDING ADEQUATE PROFESSIONAL STAFF, AS PER THE DEPARTMENT OF HEALTH, THE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, AND/OR THE DIVISION OF MENTAL RETARDATION SERVICES LICENSING REQUIREMENTS.

Select Specialty Hospital-Memphis provides a very attractive work environment and anticipates having no difficulty in staffing the proposed beds. As a licensed facility Select is well aware of, and complies with, State and professional staffing standards and requirements.

C(III).5. VERIFY THAT THE APPLICANT HAS REVIEWED AND UNDERSTANDS THE LICENSING CERTIFICATION AS REQUIRED BY THE STATE OF TENNESSEE FOR MEDICAL/CLINICAL STAFF. THESE INCLUDE, WITHOUT LIMITATION, REGULATIONS CONCERNING PHYSICIAN SUPERVISION, CREDENTIALING, ADMISSIONS PRIVILEGES, QUALITY ASSURANCE POLICIES AND PROGRAMS, UTILIZATION REVIEW PPOLICIES AND PROGRAMS, RECORD KEEPING, AND STAFF EDUCATION.

The applicant so verifies.

C(III).6. DISCUSS YOUR HEALTH CARE INSTITUTION'S PARTICIPATION IN THE TRAINING OF STUDENTS IN THE AREAS OF MEDICINE, NURSING, SOCIAL WORK, ETC. (I.E., INTERNSHIPS, RESIDENCIES, ETC.).

At the time of this application, Select Specialty has no formal contracts under which health professions programs rotate students through the facility for training.

C(III).7(a). PLEASE VERIFY, AS APPLICABLE, THAT THE APPLICANT HAS REVIEWED AND UNDERSTANDS THE LICENSURE REQUIREMENTS OF THE DEPARTMENT OF HEALTH, THE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, THE DIVISION OF MENTAL RETARDATION SERVICES, AND/OR ANY APPLICABLE MEDICARE REQUIREMENTS.

The applicant so verifies.

C(III).7(b). PROVIDE THE NAME OF THE ENTITY FROM WHICH THE APPLICANT HAS RECEIVED OR WILL RECEIVE LICENSURE, CERTIFICATION, AND/OR ACCREDITATION

LICENSURE: Board for Licensure of Healthcare Facilities
Tennessee Department of Health

CERTIFICATION: Medicare Certification from CMS
TennCare Certification from TDH

ACCREDITATION: Joint Commission

C(III).7(c). IF AN EXISTING INSTITUTION, PLEASE DESCRIBE THE CURRENT STANDING WITH ANY LICENSING, CERTIFYING, OR ACCREDITING AGENCY OR AGENCY.

The applicant is currently licensed in good standing by the Board for Licensing Health Care Facilities, certified for participation in Medicare and Medicaid/TennCare, and fully accredited by the Joint Commission on Accreditation of Healthcare Organizations.

C(III).7(d). FOR EXISTING LICENSED PROVIDERS, DOCUMENT THAT ALL DEFICIENCIES (IF ANY) CITED IN THE LAST LICENSURE CERTIFICATION AND INSPECTION HAVE BEEN ADDRESSED THROUGH AN APPROVED PLAN OF CORRECTION. PLEASE INCLUDE A COPY OF THE MOST RECENT LICENSURE/CERTIFICATION INSPECTION WITH AN APPROVED PLAN OF CORRECTION.

They have been addressed. A copy of the most recent licensure inspection and plan of correction, and/or the most recent accreditation inspection, are provided in Attachment C, Orderly Development--7(C).

C(III)8. DOCUMENT AND EXPLAIN ANY FINAL ORDERS OR JUDGMENTS ENTERED IN ANY STATE OR COUNTRY BY A LICENSING AGENCY OR COURT AGAINST PROFESSIONAL LICENSES HELD BY THE APPLICANT OR ANY ENTITIES OR PERSONS WITH MORE THAN A 5% OWNERSHIP INTEREST IN THE APPLICANT. SUCH INFORMATION IS TO BE PROVIDED FOR LICENSES REGARDLESS OF WHETHER SUCH LICENSE IS CURRENTLY HELD.

None.

C(III)9. IDENTIFY AND EXPLAIN ANY FINAL CIVIL OR CRIMINAL JUDGMENTS FOR FRAUD OR THEFT AGAINST ANY PERSON OR ENTITY WITH MORE THAN A 5% OWNERSHIP INTEREST IN THE PROJECT.

None.

C(III)10. IF THE PROPOSAL IS APPROVED, PLEASE DISCUSS WHETHER THE APPLICANT WILL PROVIDE THE THSDA AND/OR THE REVIEWING AGENCY INFORMATION CONCERNING THE NUMBER OF PATIENTS TREATED, THE NUMBER AND TYPE OF PROCEDURES PERFORMED, AND OTHER DATA AS REQUIRED.

Yes. The applicant will provide the requested data consistent with Federal HIPAA requirements.

PROOF OF PUBLICATION

Attached.

DEVELOPMENT SCHEDULE

1. PLEASE COMPLETE THE PROJECT COMPLETION FORECAST CHART ON THE NEXT PAGE. IF THE PROJECT WILL BE COMPLETED IN MULTIPLE PHASES, PLEASE IDENTIFY THE ANTICIPATED COMPLETION DATE FOR EACH PHASE.

The Project Completion Forecast Chart is provided after this page.

2. IF THE RESPONSE TO THE PRECEDING QUESTION INDICATES THAT THE APPLICANT DOES NOT ANTICIPATE COMPLETING THE PROJECT WITHIN THE PERIOD OF VALIDITY AS DEFINED IN THE PRECEDING PARAGRAPH, PLEASE STATE BELOW ANY REQUEST FOR AN EXTENDED SCHEDULE AND DOCUMENT THE "GOOD CAUSE" FOR SUCH AN EXTENSION.

Not applicable. The applicant anticipates completing the project within the period of validity.

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision Date, as published in Rule 68-11-1609(c):

March 27, 2013

Assuming the CON decision becomes the final Agency action on that date, indicate the number of days from the above agency decision date to each phase of the completion forecast.

PHASE	DAYS REQUIRED	Anticipated Date (MONTH /YEAR)
1. Architectural & engineering contract signed	3	4-2013
2. Construction documents approved by TDH	48	5-2013
3. Construction contract signed	53	5-2013
4. Building permit secured	54	5-2013
13	na	na
6. Building construction commenced	67	6-2013
7. Construction 40% complete	123	8-2013
8. Construction 80% complete	183	10-2013
9. Construction 100% complete	203	12-2013
10. * Issuance of license	218	12-2013
11. *Initiation of service	233	1-2014
12. Final architectural certification of payment	293	3-2014
13. Final Project Report Form (HF0055)	323	4-2014

*** For projects that do NOT involve construction or renovation: please complete items 10-11 only.**

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

INDEX OF ATTACHMENTS

A.4	Ownership--Legal Entity, Licensure, Accreditation
A.6	Site Control
B.II.A.	Square Footage and Costs Per Square Footage Chart
B.III.	Plot Plan
B.IV.	Floor Plan
C, Need--3	Service Area Maps
C, Economic Feasibility--1	Documentation of Construction Cost Estimate
C, Economic Feasibility--2	Documentation of Availability of Funding
C, Economic Feasibility--10	Financial Statements
C, Orderly Development--7(C)	TDH Inspection & Plan of Correction
Miscellaneous Information	Select Specialty Hospitals in Tennessee CMS Documentation of LTACH Moratorium Nursing and Rehabilitation Hours by Month LTACH Facilities in Alabama & Mississippi QuickFacts--TN Primary Service Area Counties TennCare Enrollment
Support Letters	

A.4--Ownership
Legal Entity, Licensure, Accreditation

Board for Licensing Health Care Facilities

State of Tennessee

0000000147

No. of Beds 0039

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

SELECT SPECIALTY HOSPITAL - MEMPHIS, INC. *to conduct and maintain a*

Hospital SELECT SPECIALTY HOSPITAL - MEMPHIS

Located at 5959 PARK AVENUE, 12TH FLOOR, MEMPHIS

County of SHELBY *, Tennessee.*

This license shall expire NOVEMBER 23 , 2013 , *and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*

In Witness Whereof, we have hereunto set our hand and seal of the State this 1ST *day of* JULY , 2012 .

In the Distinct Category(ies) of: CHRONIC DISEASE HOSPITAL

By Vincent J. Davis, MPH

DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By [signature] MD

COMMISSIONER

92

SELECT SPECIALTY HOSPITAL - MEMPHIS, INC.

Rocco A. Ortenzio, Sole Director
c/o Select Medical Corporation
4718 Old Gettysburg Road
P.O. Box 2034
Mechanicsburg, PA 17055

Rocco A. Ortenzio, Chairman & CEO
c/o Select Medical Corporation
4718 Old Gettysburg Road
P. O. Box 2034
Mechanicsburg, PA 17055

Robert A. Ortenzio, President
c/o Select Medical Corporation
4718 Old Gettysburg Road, P. O. Box 2034
Mechanicsburg, PA 17055

Michael E. Tarvin, Vice President
and Secretary
c/o Select Medical Corporation
4718 Old Gettysburg Road, P. O. Box 2034
Mechanicsburg, PA 17055

Scott A. Romberger, Vice President,
Treasurer and Assistant Secretary
c/o Select Medical Corporation
4718 Old Gettysburg Road, P. O. Box 2034
Mechanicsburg, PA 17055

Kenneth L. Moore, Vice President
and Assistant Secretary
c/o Select Medical Corporation
4718 Old Gettysburg Road, P. O. Box 2034
Mechanicsburg, PA 17055

Patricia A. Rice, Vice President
c/o Select Medical Corporation
4718 Old Gettysburg Road, P. O. Box 2034
Mechanicsburg, PA 17055

Stevan B. Baird, Vice President
c/o Select Medical Corporation
4718 Old Gettysburg Road
P. O. Box 2034
Mechanicsburg, PA 17055

STATE OF TENNESSEE

HEALTH FACILITIES COMMISSION

Certificate of Need CN9406-032A is hereby granted under the provisions of T.C.A. §68-11-101, *et seq.*, and the rules and regulations issued thereunder by this Commission

to AMISUB (SFH) d/b/a Saint Francis Hospital

for St. Francis Hospital

This Certificate is issued for the establishment of a thirty (30) bed long-term care hospital; forty-two (42) medical/surgical beds will simultaneously be delicensed.

CONDITION: Approval subject to Health Care Financing Administration (HCFA) certification as a Long Term Care Hospital

on the premises located at 5959 Park Avenue
Memphis, TN 38119-5198

for an estimated project cost of $562,000.00

The Expiration Date for this Certificate of Need is

November 1, 1997

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the effective date, this Certificate of Need is null and void.

Date Approved September 28, 1994

Date Issued October 31, 1994

*Date Reissued: March 6, 1997

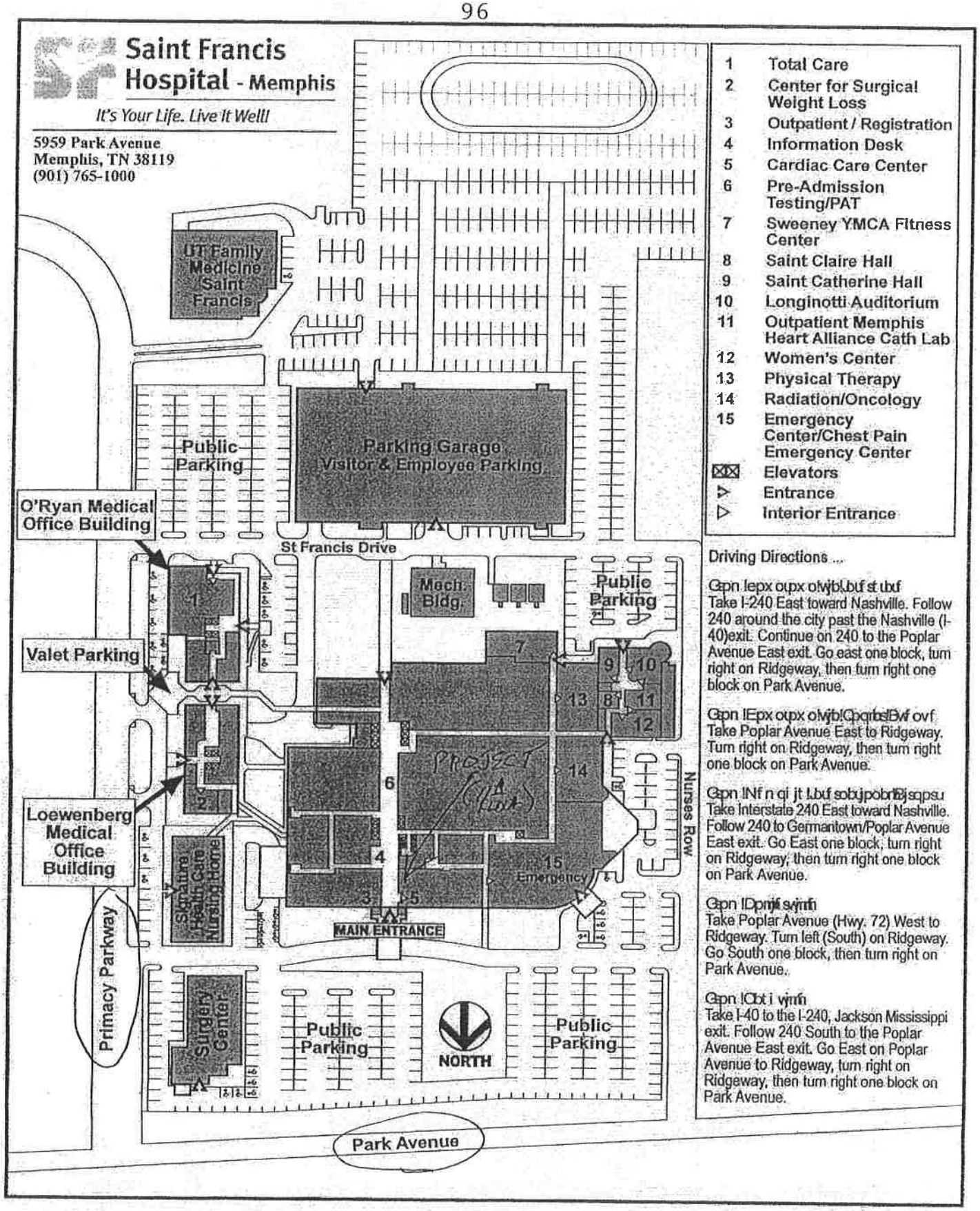
* Certificate was reissued to reflect new owner

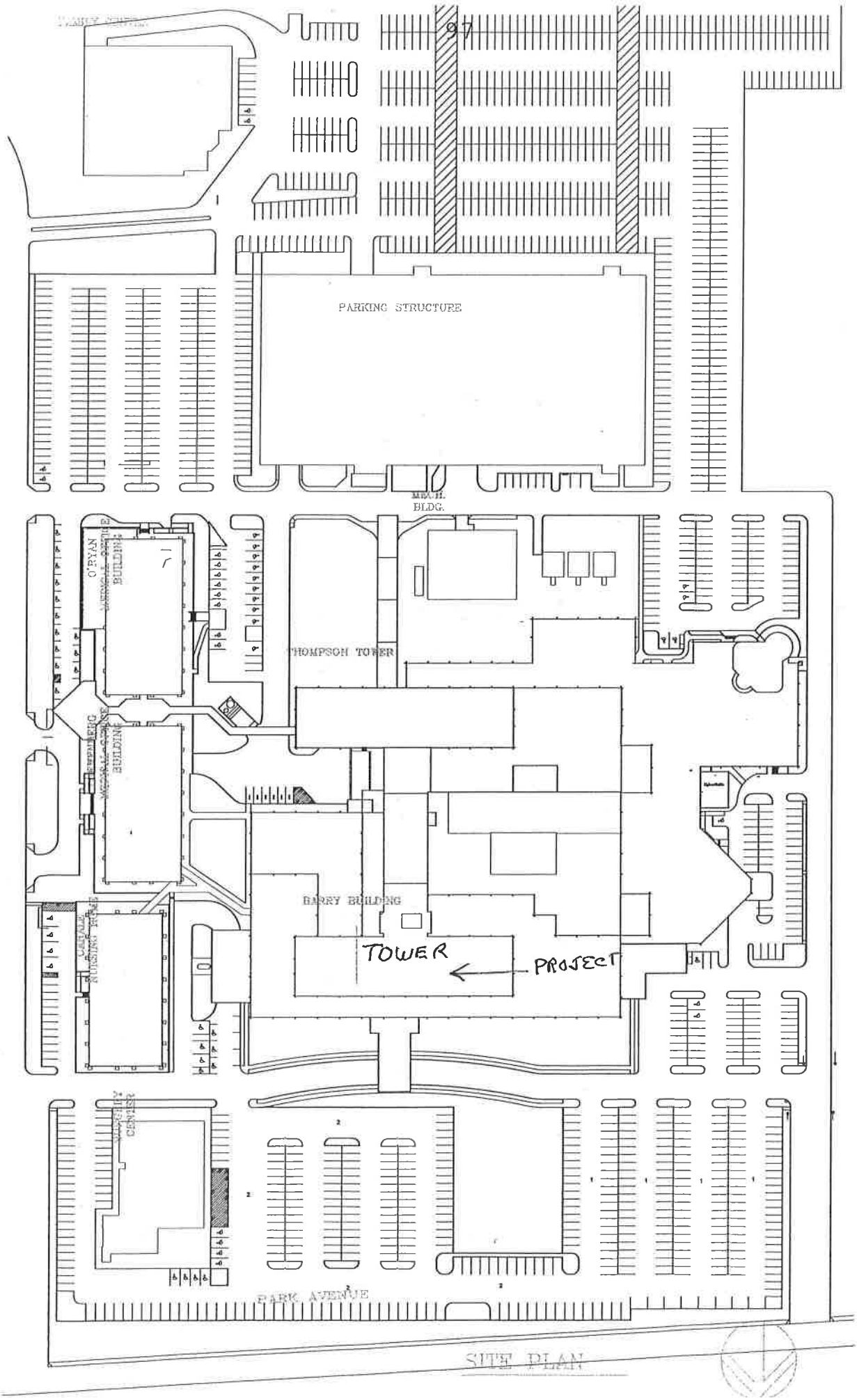
Chairman

Secretary

HF-0022 (Rev. 5-93)

B.III.--Plot Plan

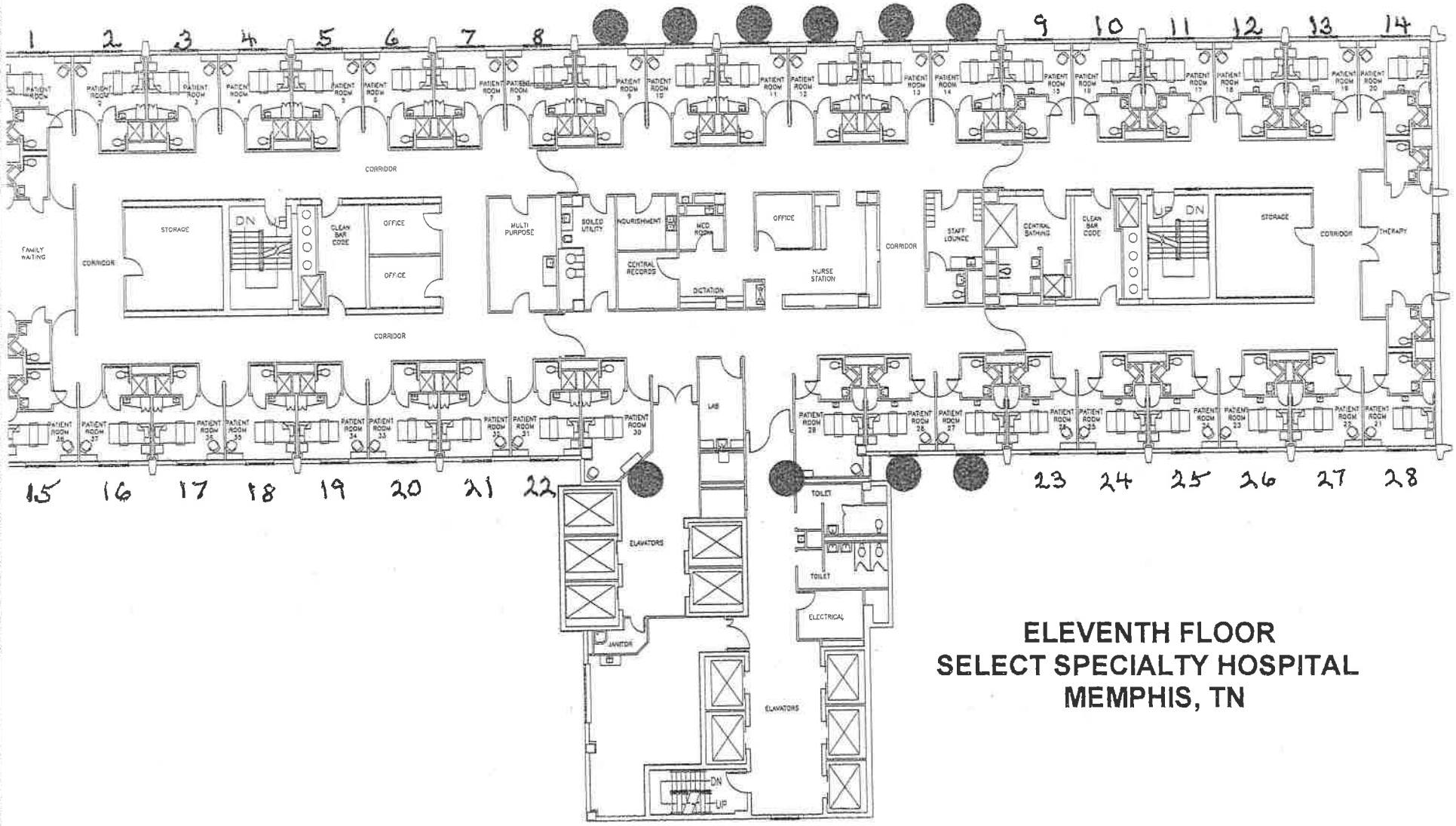

Saint Francis Hospital - Memphis
It's Your Life. Live It Well!
5959 Park Avenue
Memphis, TN 38119
(901) 765-1000
UT Family Medicine / Saint Francis
Public Parking
Parking Garage Visitor & Employee Parking
O'Ryan Medical Office Building
St Francis Drive
Mech. Bldg.
Public Parking
Valet Parking
Loewenberg Medical Office Building
Sunshine Health Care Nursing Home
Nurses Row
MAIN ENTRANCE
Emergency
Primacy Parkway
Surgery Center
Public Parking
NORTH
Public Parking
Park Avenue
1 Total Care
2 Center for Surgical Weight Loss
3 Outpatient / Registration
4 Information Desk
5 Cardiac Care Center
6 Pre-Admission Testing/PAT
7 Sweeney YMCA Fitness Center
8 Saint Claire Hall
9 Saint Catherine Hall
10 Longinotti Auditorium
11 Outpatient Memphis Heart Alliance Cath Lab
12 Women's Center
13 Physical Therapy
14 Radiation/Oncology
15 Emergency Center/Chest Pain Emergency Center
Elevators
Entrance
Interior Entrance
Driving Directions ...
Take I-240 East toward Nashville. Follow 240 around the city past the Nashville (I-40)exit. Continue on 240 to the Poplar Avenue East exit. Go east one block, turn right on Ridgeway, then turn right one block on Park Avenue.
Take Poplar Avenue East to Ridgeway. Turn right on Ridgeway, then turn right one block on Park Avenue.
Take Interstate 240 East toward Nashville. Follow 240 to Germantown/Poplar Avenue East exit. Go East one block, turn right on Ridgeway, then turn right one block on Park Avenue.
Take Poplar Avenue (Hwy. 72) West to Ridgeway. Turn left (South) on Ridgeway. Go South one block, then turn right on Park Avenue.
Take I-40 to the I-240, Jackson Mississippi exit. Follow 240 South to the Poplar Avenue East exit. Go East on Poplar Avenue to Ridgeway, turn right on Ridgeway, then turn right one block on Park Avenue.


97
PARKING STRUCTURE
MECH.
BLDG.
O'RYAN
BUILDING
THOMPSON TOWER
BARRY BUILDING
TOWER
PROJECT
PARK AVENUE

SITE PLAN

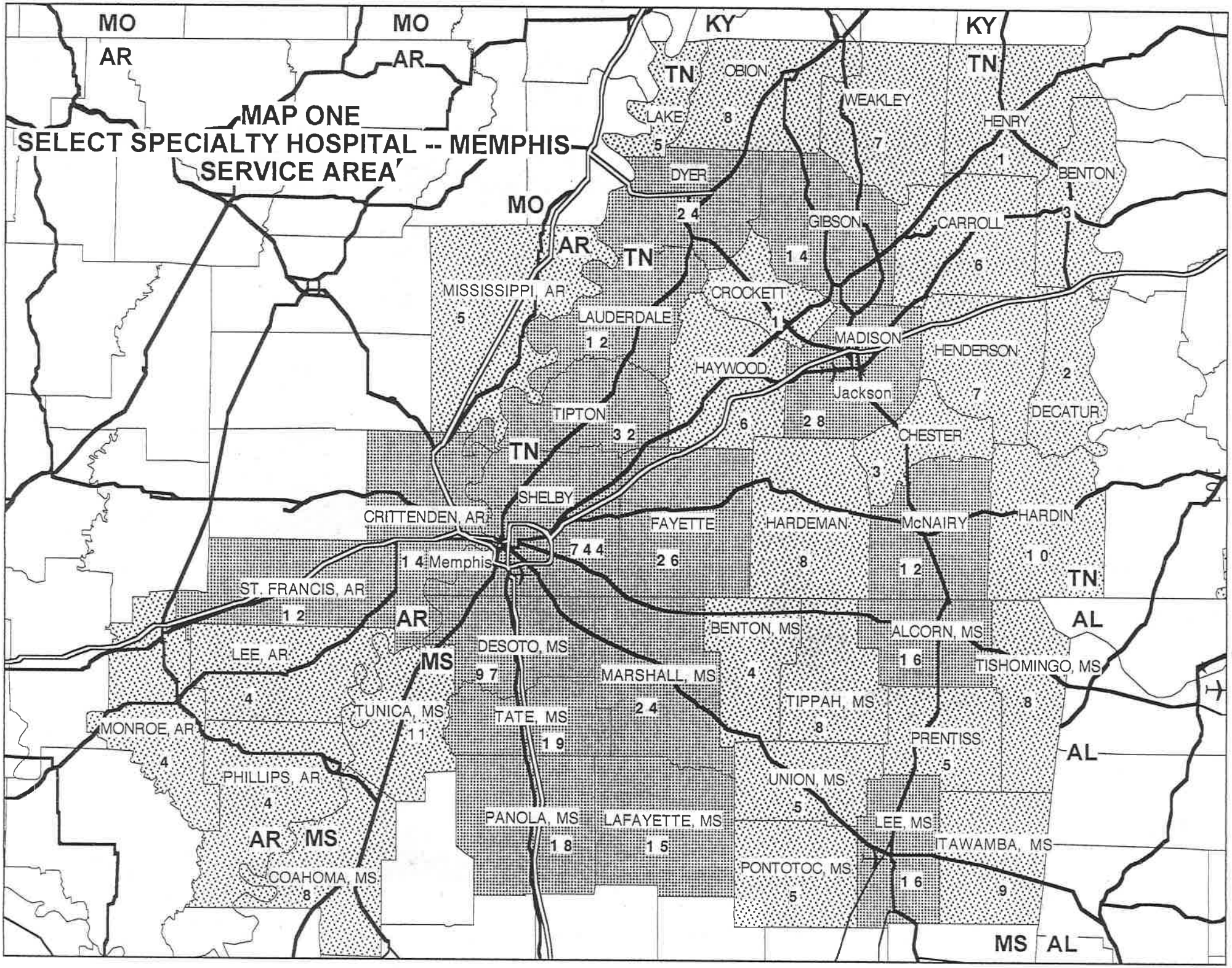
B.IV.--Floor Plan

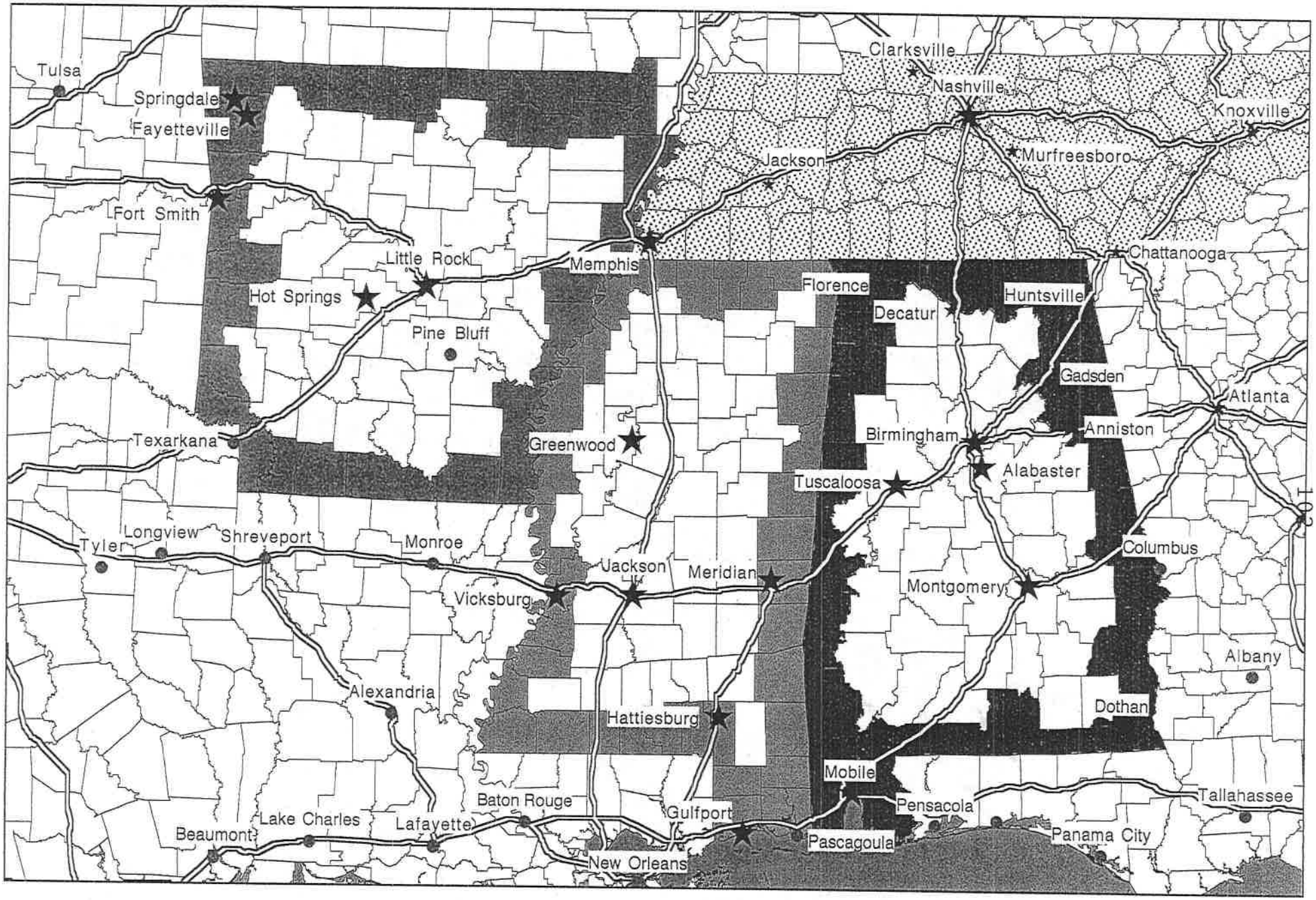
● = 10 LTACH BEDS ALREADY APPROVED FOR LICENSURE (EARLY 2013)
NUMBERED ROOMS = 28 ADDITIONAL LTACH BEDS PROPOSED IN THIS APPLICATION



ELEVENTH FLOOR
SELECT SPECIALTY HOSPITAL
MEMPHIS, TN

C, Need--3
Service Area Maps


MAP ONE
SELECT SPECIALTY HOSPITAL -- MEMPHIS
SERVICE AREA
MO
AR
KY
TN
MS
AL
OBION
LAKE
5
8
WEAKLEY
7
HENRY
1
BENTON
3
DYER
2 4
GIBSON
1 4
CARROLL
6
MISSISSIPPI, AR
5
CROCKETT
1
LAUDERDALE
1 2
MADISON
HENDERSON
2
HAYWOOD
Jackson
7
DECATUR
TIPTON
3 2
6
2 8
CHESTER
3
SHELBY
CRITTENDEN, AR
FAYETTE
2 6
HARDEMAN
8
McNAIRY
1 2
HARDIN
1 0
7 4 4
1 4 Memphis
ST. FRANCIS, AR
1 2
BENTON, MS
ALCORN, MS
1 6
TISHOMINGO, MS
LEE, AR
4
DESOTO, MS
9 7
MARSHALL, MS
2 4
4
TIPPAH, MS
8
8
TUNICA, MS
1 1
TATE, MS
1 9
MONROE, AR
4
PRENTISS
5
PHILLIPS, AR
4
UNION, MS
5
PANOLA, MS
1 8
LAFAYETTE, MS
1 5
LEE, MS
ITAWAMBA, MS
COAHOMA, MS
8
PONTOTOC, MS
5
1 6
9



SERVICE AREA LOCATION
STATE OF TENNESSEE

C, Economic Feasibility--2
Documentation of Availability of Funding

Select MEDICAL
Improving Quality of Life

Martin F. Jackson
Executive Vice President,
Chief Financial Officer

December 14, 2012

Melanie M. Hill, Executive Director
Tennessee Health Facilities Commission
Andrew Jackson State Office Building, Suite 850
500 Deaderick Street
Nashville, Tennessee 37243

Dear Mrs. Hill:

Select Specialty Hospital – Memphis, Inc. is applying for a Certificate of Need to lease, remodel, and license 28 additional inpatient beds leased from Saint Francis Hospital in Memphis, on its 11th floor. This will require a capital expenditure of no more than approximately $3,647,000.

As Chief Financial Officer for Select Medical Corporation, the corporate parent of Select Specialty Hospital – Memphis, Inc., I am writing to confirm that Select Specialty Hospital – Memphis, Inc. will fund the project in cash, and that it currently has sufficient cash reserves and operating income to do so.

Sincerely,

Martin F. Jackson
Executive Vice President & CFO

4714 Gettysburg Road • P.O. Box 2034 • Mechanicsburg, PA 17055
mjackson@selectmedical.com • 717.972.3814 • Fax 717.303.0824

C, Economic Feasibility--10
Financial Statements

ORACLE Applications

Y YTD BALANCE SHEET REPORT

lect Medical Corporation
od: DEC-11 Currency: USD
Submitted: 07-DEC-12 15:30:11

COMPANY=422 (Memphis)

	CY2011
Current assets:	
Cash and cash equivalents	0.00
Accounts receivables:	
Patient receivables	10,493,753.77
AR Clearing	(2,453,433.93)
Contractual adjustments	(5,392,725.56)
Allow for doubtful accounts	(494,989.28)
Other receivables	0.00
Prepaid expenses	0.00
Other current assets	123,990.33
Total current assets	2,276,595.33
Affiliates:	
Investments in	0.00
Advances to	15,264,421.30
Total affiliates	15,264,421.30
Property and equipment:	
Land	0.00
Building and improvements	754,831.67
Assets under capital leases	0.00
Furniture and equipment	1,195,159.07
Asset Clearing	0.00
Total fixed assets	1,949,990.74
Less accum. deprec	(1,709,409.17)
Net val property, plant & equip	240,581.57
Construction in progress	0.00
Total property, plant & equip	240,581.57
Other assets:	
Deposits	5,653.12
Prepaid rent	0.00
Goodwill, net	0.00
Other intangibles	0.00
Mgmt service agreements	0.00
Long term investments	0.00
Notes receivable	0.00
Deferred costs, net	0.00
Deferred financing costs, net	0.00
Other noncurrent assets	1,853.34
Total noncurrent assets	7,506.46
Total assets	17,789,104.66
Current liabilities:	
Notes payable	
Current portion of L-T debt:	
Seller notes - current	0.00
Notes and mortgages	0.00
Capital leases	0.00
Accounts payable	933,632.71
Accrued expenses:	
Payroll	0.00
Vacation	197,845.86
Insurance	0.00
Other	83,204.97
Due to third party payor	(1,489,005.02)
Income taxes:	
Current	0.00
Deferred	0.00
Total current liabilities	(274,321.48)
L-T debt, net of current portion:	
Notes, mortgages & conv. debt	0.00
Seller notes - LT	0.00
Subordinate debt	0.00
Credit facility debt	0.00
Capital leases	0.00
Other liabilities:	
Deferred income taxes	0.00
Other L-T liabilities	0.00
Total L-T debt & liab	0.00
Minority interest:	
Capital	0.00
Retained earnings	0.00
Total minority interest	0.00
Shareholders & partners equity:	
Common stock	0.00
Preferred stock (Class A)	0.00
Preferred stock (Class B)	0.00

COMPANY=422 (Memphis)

	CY2011
Preferred stock dividends	0.00
Distributions	0.00
Capital in excess of par	3,034,876.27
Retained earnings, prior	11,331,175.76
Current year net income (loss)	3,697,374.11
Total S & P equity	18,063,426.14
Total liabilities & equity	17,789,104.66

COMPANY=422 (Memphis)

	YTD ACTUAL 2011 Jan-Dec
CMI Medicare MTD	
CMI Medicare YTD	
Equivalent Patient Days	13,198.00
Average Daily Census	36.16
IP Physician Rounds	0.00
REVENUES	
Inpatient Routine	10,665,184.00
Inpatient Ancillary	44,700,483.47
Outpatient Ancillary	0.00
Total Patient Revenues	55,365,667.47
DEDUCTIONS FROM REVENUE	
Contractual Allowance	23,456,363.78
Contracted Discounts	10,670,361.59
Prior Year Contractual Adj	109,795.26
Other Revenue Deductions	18,339.10
Total Revenue Deductions	34,254,859.73
NET PATIENT REVENUE	21,110,807.74
Other Revenue	6,742.31
TOTAL NET REVENUE	21,117,550.05
OPERATING EXPENSES	
Salaries & Wages	7,338,941.56
Benefits	1,482,723.18
Contracted Departments	3,357,486.49
Physician Fees	146,606.00
Medical Supplies	2,303,936.51
Food & Other Supplies	123,051.65
Equipment Leases & Rentals	507,551.75
Other Fees	37,401.12
Data Processing Fees	0.00
Repairs & Maintenance	114,628.80
Utilities	32,564.21

COMPANY=422 (Memphis)

	YTD ACTUAL 2011 Jan-Dec
Insurance	114,612.00
Taxes, Non-Income	(9,499.99)
Other Expenses	225,356.82
Bad Debt Expenses	651,376.45
Corporate Services	267,180.38
Total Operating Expenses	16,693,916.93
NET OPERATING PROFIT	4,423,633.12
CONTRIBUTION MARGIN %	20.95%
CAPITAL COSTS	
Interest	0.00
Depreciation	79,239.36
Amortization	0.00
Facility/Office Lease	643,404.68
Property Taxes	20,001.00
Corporate Services Capital	469.87
Total Capital Costs	743,114.91
TOTAL COSTS	17,437,031.84
PRE-TAX/MGMT FEE	3,680,518.21
Management Fee	0.00
PRE-TAX/INTEREST	3,680,518.21
Intercompany Interest	(16,653.10)
Other Interest Income	(202.80)
PRE-TAX/MINORITY INT	3,697,374.11
Minority Interest	0.00
PRE-TAX PROFIT	3,697,374.11
Income Taxes	0.00
NET INCOME	3,697,374.11

COMPANY=422 (Memphis)

	YTD ACTUAL 2012 Jan-Oct
REVENUES	
Inpatient Routine	10,730,880.00
Inpatient Ancillary	38,409,511.40
Outpatient Ancillary	0.00
Total Patient Revenues	49,140,391.40
DEDUCTIONS FROM REVENUE	
Contractual Allowance	22,146,112.68
Contracted Discounts	9,162,123.41
Prior Year Contractual Adj	148,276.21
Other Revenue Deductions	70,040.80
Total Revenue Deductions	31,526,553.10
NET PATIENT REVENUE	17,613,838.30
Other Revenue	853.80
TOTAL NET REVENUE	17,614,692.10
OPERATING EXPENSES	
Salaries & Wages	6,550,500.46
Benefits	1,273,331.57
Contracted Departments	2,911,404.01
Physician Fees	124,028.00
Medical Supplies	1,875,330.03
Food & Other Supplies	119,020.81
Equipment Leases & Rentals	565,143.35
Other Fees	38,015.60
Data Processing Fees	0.00
Repairs & Maintenance	76,813.50

COMPANY=422 (Memphis)

	YTD ACTUAL 2012 Jan-Oct
Utilities	72,637.79
Insurance	97,294.80
Taxes, Non-Income	(6,100.63)
Other Expenses	232,617.33
Bad Debt Expenses	406,979.00
Corporate Services	262,937.17
Total Operating Expenses	14,599,952.79
NET OPERATING PROFIT	3,014,739.31
CONTRIBUTION MARGIN %	17.11%
CAPITAL COSTS	
Interest	0.00
Depreciation	54,303.09
Amortization	0.00
Facility/Office Lease	540,605.39
Property Taxes	16,064.55
Corporate Services Capital	0.00
Total Capital Costs	610,973.03
TOTAL COSTS	15,210,925.82
PRE-TAX/MGMT FEE	2,403,766.28
Management Fee	0.00
PRE-TAX/INTEREST	2,403,766.28
Intercompany Interest	(17,580.28)
Other Interest Income	(4.39)
PRE-TAX/MINORITY INT	2,421,350.95
Minority Interest	0.00
PRE-TAX PROFIT	2,421,350.95
Income Taxes	0.00
NET INCOME	2,421,350.95

ORACLE Applications

Y YTD BALANCE SHEET REPORT

lect Medical Corporation
od: OCT-12 Currency: USD
Submitted: 07-DEC-12 15:30:32

COMPANY=422 (Memphis)

	YTD 2012-Jan-Oct
Current assets:	
Cash and cash equivalents	0.00
Accounts receivables:	
Patient receivables	9,101,848.53
AR Clearing	(1,435,951.72)
Contractual adjustments	(4,523,218.76)
Allow for doubtful accounts	(685,939.78)
Other receivables	0.00
Prepaid expenses	0.00
Other current assets	145,124.39
Total current assets	2,601,862.66
Affiliates:	
Investments in	0.00
Advances to	14,814,575.74
Total affiliates	14,814,575.74
Property and equipment:	
Land	0.00
Building and improvements	754,831.67
Assets under capital leases	0.00
Furniture and equipment	1,248,912.96
Asset Clearing	0.00
Total fixed assets	2,003,744.63
Less accum. deprec	(1,761,722.64)
Net val property, plant & equip	242,021.99
Construction in progress	0.00
Total property, plant & equip	242,021.99
Other assets:	
Deposits	5,653.12
Prepaid rent	0.00
Goodwill, net	0.00
Other intangibles	0.00
Mgmt service agreements	0.00
Long term investments	0.00
Notes receivable	0.00
Deferred costs, net	0.00
Deferred financing costs, net	0.00
Other noncurrent assets	1,853.34
Total noncurrent assets	7,506.46
Total assets	17,665,966.85
Current liabilities:	
Notes payable	
Current portion of L-T debt:	
Seller notes - current	0.00
Notes and mortgages	0.00
Capital leases	0.00
Accounts payable	1,109,599.81
Accrued expenses:	
Payroll	0.00
Vacation	190,846.57
Insurance	0.00
Other	112,906.39
Due to third party payor	(1,825,872.01)
Income taxes:	
Current	0.00
Deferred	0.00
Total current liabilities	(412,519.24)
L-T debt, net of current portion:	
Notes, mortgages & conv. debt	0.00
Seller notes - LT	0.00
Subordinate debt	0.00
Credit facility debt	0.00
Capital leases	0.00
Other liabilities:	
Deferred income taxes	0.00
Other L-T liabilities	0.00
Total L-T debt & liab	0.00
Minority interest:	
Capital	0.00
Retained earnings	0.00
Total minority interest	0.00
Shareholders & partners equity:	
Common stock	0.00
Preferred stock (Class A)	0.00
Preferred stock (Class B)	0.00

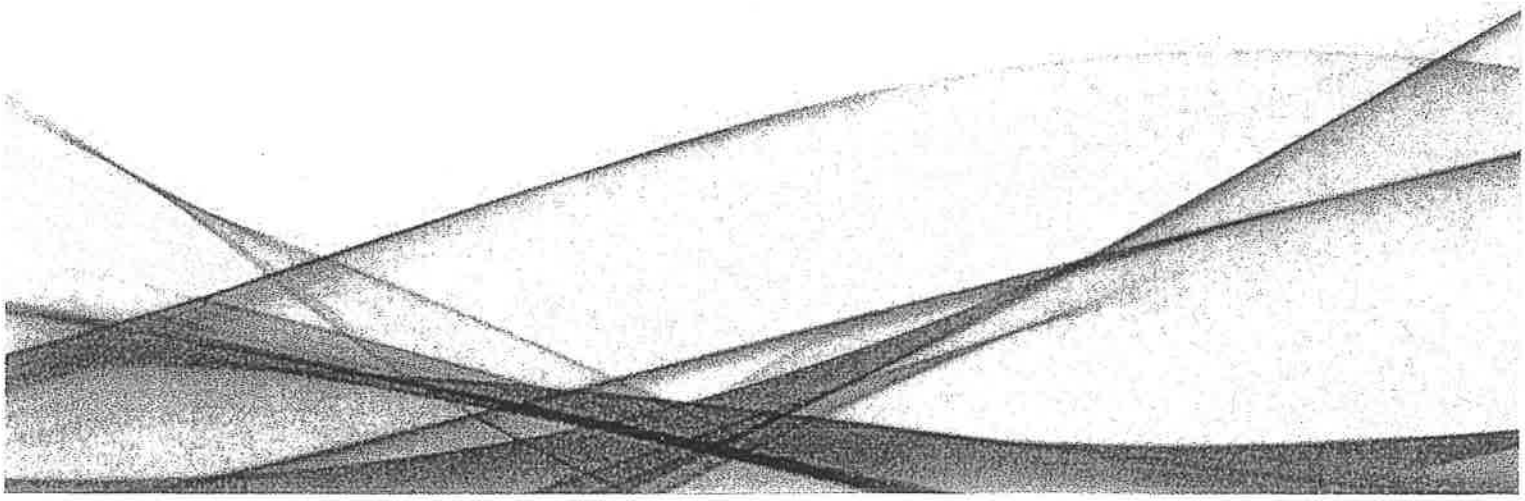
COMPANY=422 (Memphis)

	YTD 2012-Jan-Oct
Preferred stock dividends	0.00
Distributions	0.00
Capital in excess of par	3,034,876.27
Retained earnings, prior	12,622,258.87
Current year net income (loss)	2,421,350.95
Total S & P equity	18,078,486.09
Total liabilities & equity	17,665,966.85

SELECT MEDICAL HOLDINGS CORPORATION

2011 ANNUAL REPORT

Select MEDICAL
Improving Quality of Life



Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder
of Select Medical Corporation:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Select Medical Corporation and its subsidiaries at December 31, 2011 and December 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our audits (which were integrated audits in 2011 and 2010). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 2, 2012

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of Select Medical Holdings Corporation:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Select Medical Holdings Corporation and its subsidiaries at December 31, 2011 and December 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our audits (which were integrated audits in 2011 and 2010). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 2, 2012

PART I *FINANCIAL INFORMATION*

ITEM 1. *CONSOLIDATED FINANCIAL STATEMENTS*

Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	Select Medical Holdings Corporation		Select Medical Corporation	
	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 4,365	$ 12,043	$ 4,365	$ 12,043
Accounts receivable, net of allowance for doubtful accounts of $44,416 and $47,469 in 2010 and 2011, respectively	353,432	413,743	353,432	413,743
Current deferred tax asset	30,654	18,305	30,654	18,305
Prepaid income taxes	12,699	9,497	12,699	9,497
Other current assets	28,176	29,822	28,176	29,822
Total Current Assets	429,326	483,410	429,326	483,410
Property and equipment, net	532,100	510,028	532,100	510,028
Goodwill	1,631,252	1,631,716	1,631,252	1,631,716
Other identifiable intangibles	80,119	72,123	80,119	72,123
Assets held for sale	11,342	2,742	11,342	2,742
Other assets	37,947	72,128	35,433	70,719
Total Assets	$2,722,086	$2,772,147	$2,719,572	$2,770,738
LIABILITIES AND EQUITY				
Current Liabilities:				
Bank overdrafts	$ 18,792	$ 16,609	$ 18,792	$ 16,609
Current portion of long-term debt and notes payable	149,379	10,848	149,379	10,848
Accounts payable	74,193	95,618	74,193	95,618
Accrued payroll	63,760	82,888	63,760	82,888
Accrued vacation	46,588	51,250	46,588	51,250
Accrued interest	30,937	15,096	21,586	11,980
Accrued restructuring	6,754	5,027	6,754	5,027
Accrued other	103,856	101,076	116,456	106,316
Due to third party payors	5,299	5,526	5,299	5,526
Total Current Liabilities	499,558	383,938	502,807	386,062
Long-term debt, net of current portion	1,281,390	1,385,950	974,913	1,218,650
Non-current deferred tax liability	59,074	82,028	59,074	82,028
Other non-current liabilities	66,650	64,905	66,650	64,905
Total Liabilities	1,906,672	1,916,821	1,603,444	1,751,645
Stockholders' Equity:				
Common stock of Holdings, $0.001 par value, 700,000,000 shares authorized, 154,519,025 shares and 145,268,190 shares issued and outstanding in 2010 and 2011, respectively	155	145	—	—
Common stock of Select, $0.01par value, 100 shares issued and outstanding	—	—	0	0
Capital in excess of par	535,628	493,828	834,894	848,844
Retained earnings	248,097	328,882	249,700	137,778
Total Select Medical Holdings Corporation and Select Medical Corporation Stockholders' Equity	783,880	822,855	1,084,594	986,622
Non-controlling interest	31,534	32,471	31,534	32,471
Total Equity	815,414	855,326	1,116,128	1,019,093
Total Liabilities and Equity	$2,722,086	$2,772,147	$2,719,572	$2,770,738

The accompanying notes are an integral part of these consolidated financial statements.

Select Medical Holdings Corporation

Consolidated Statements of Operations
(in thousands, except per share amounts)

	For the Year Ended December 31,		
	2009	2010	2011
Net operating revenues	$2,239,871	$2,390,290	$2,804,507
Costs and expenses:			
Cost of services	1,819,771	1,982,179	2,308,570
General and administrative	72,409	62,121	62,354
Bad debt expense	40,872	41,147	51,347
Depreciation and amortization	70,981	68,706	71,517
Total costs and expenses	2,004,033	2,154,153	2,493,788
Income from operations	235,838	236,137	310,719
Other income and expense:			
Gain (loss) on early retirement of debt	13,575	—	(31,018)
Equity in earnings (losses) of unconsolidated subsidiaries	—	(440)	2,923
Other income (expense)	(632)	632	—
Interest income	92	—	322
Interest expense	(132,469)	(112,337)	(99,216)
Income before income taxes	116,404	123,992	183,730
Income tax expense	37,516	41,628	70,968
Net income	78,888	82,364	112,762
Less: Net income attributable to non-controlling interests	3,606	4,720	4,916
Net income attributable to Select Medical Holdings Corporation	75,282	77,644	107,846
Less: Preferred dividends	19,537	—	—
Net income available to common stockholders and participating securities	$ 55,745	$ 77,644	$ 107,846
Income per common share:			
Basic	$ 0.61	$ 0.49	$ 0.71
Diluted	$ 0.61	$ 0.48	$ 0.71

The accompanying notes are an integral part of these consolidated financial statements.

Select Medical Corporation

Consolidated Statements of Operations
(in thousands)

	For the Year Ended December 31,		
	2009	2010	2011
Net operating revenues	$2,239,871	$2,390,290	$2,804,507
Costs and expenses:			
Cost of services	1,819,771	1,982,179	2,308,570
General and administrative	72,409	62,121	62,354
Bad debt expense	40,872	41,147	51,347
Depreciation and amortization	70,981	68,706	71,517
Total costs and expenses	2,004,033	2,154,153	2,493,788
Income from operations	235,838	236,137	310,719
Other income and expense:			
Gain (loss) on early retirement of debt	12,446	—	(20,385)
Equity in earnings (losses) of unconsolidated subsidiaries	—	(440)	2,923
Other income	3,204	632	—
Interest income	92	—	322
Interest expense	(99,543)	(84,472)	(81,232)
Income before income taxes	152,037	151,857	212,347
Income tax expense	49,987	51,380	80,984
Net income	102,050	100,477	131,363
Less: Net income attributable to non-controlling interests	3,606	4,720	4,916
Net income attributable to Select Medical Corporation	$ 98,444	$ 95,757	$ 126,447

The accompanying notes are an integral part of these consolidated financial statements.

C, Orderly Development--7(C)
TDH Inspection & Plan of Correction

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Hospital: Memphis Facility #: 422

Expanded Labor Analysis Monthly Report - Therapy

Calendar Year: 2012

PPD Breakdown	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
Patients Days	1,188.00	1,114.00	1,173.00	1,070.00	1,151.00	1,138.00	1,145.00	1,062.00	1,018.00	1,118.00	1,066.00	403.00	12,646.00
Total PT Hours PPD (2)	.42	.43	.41	.42	.42	.38	.41	.34	.28	.36	.40	.41	.39
Total OT Hours PPD (2)							.04	.22	.26	.15	.09	.10	.07
Total ST Hours PPD (2)	.13	.12	.08	.13	.12	.10	.13	.14	.13	.16	.06	.04	.11
Total RT Hours PPD (2)	2.63	2.31	2.50	2.74	2.51	2.49	2.32	2.34	2.50	2.15	2.09	2.22	2.41
Total Agency Hours PPD (3)	.24	.18	.12										.05
Total Therapy Hours PPD (1)	3.42	3.05	3.11	3.30	3.05	2.97	2.89	3.05	3.17	2.82	2.63	2.76	3.03

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Hospital: Memphis Facility #: 422

Expanded Labor Analysis Monthly Report - Nursing

Calendar Year: 2011

PPD Breakdown	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
Patients Days	1,161.00	1,079.00	1,165.00	1,128.00	1,182.00	1,099.00	1,051.00	1,078.00	1,046.00	1,012.00	1,055.00	1,141.00	13,197.00
Total RN Hours PPD (2)	4.97	4.53	4.81	5.14	4.69	4.65	4.75	4.44	4.45	4.08	4.53	4.00	4.59
Total LPN Hours PPD (2)	.53	.55	.68	.66	.53	.52	.65	.58	.53	.47	.51	.38	.55
Total CNA Hours PPD (2)	3.13	2.83	2.96	2.74	2.70	2.86	2.89	3.48	3.84	4.35	4.15	4.17	3.33
Total Agency Hours PPD (3)	.68	.67	.78	1.31	1.57	1.82	1.52	1.64	1.68	.96	.92	.57	1.17
Total Nursing Hours PPD (1)	9.30	8.57	9.24	9.85	9.49	9.85	9.81	10.14	10.50	9.86	10.11	9.13	9.64

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Hospital: Memphis Facility #: 422

Expanded Labor Analysis Monthly Report - Nursing

Calendar Year: 2012

PPD Breakdown	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
Patients Days	1,188.00	1,114.00	1,173.00	1,070.00	1,151.00	1,138.00	1,145.00	1,062.00	1,018.00	1,118.00	1,066.00	403.00	12,646.00
Total RN Hours PPD (2)	4.42	4.57	4.65	4.92	4.99	4.74	4.52	4.85	4.91	4.69	5.39	6.09	4.82
Total LPN Hours PPD (2)	.49	.40	.43	.51	.50	.45	.39	.45	.54	.58	.54	.51	.48
Total CNA Hours PPD (2)	4.11	3.36	3.97	4.40	3.99	3.96	3.61	3.88	3.96	3.89	3.86	3.91	3.91
Total Agency Hours PPD (3)	.59	1.22	1.06	.98	1.04	.81	.76	.60	.30	.08			.66
Total Nursing Hours PPD (1)	9.60	9.56	10.12	10.81	10.52	9.98	9.30	9.78	9.71	9.24	9.79	10.51	9.87

...SUCCESSOR BY ...ER TO WELLS ...D BANK MINNE... NATIONAL ASSO... ON, SOLELY IN ITS ...ITY AS TRUSTEE ...ROVIDENT BANK ... EQUITY LOAN ...BACKED CER... TES, SERIES 2000... ...er), now being the ... owner/holder of ... indebtedness, has ...quested that fore... proceedings be in... ...and said Holder ...pointed the firm ...elow as Successor ... under said Deed ... by an instrument ...corded in the afore... ...cords, to serve in ...e and stead of the ...entioned Trustee, ...of the Right to ...e was sent to the ...er by letter dated ...r 26, 2012. ...HEREFORE, said ...or Trustee, or ...ereof, pursuant to ...ed of Trust, having ...equested by the ...o to do, and by vir... ...the authority and ...ested in said Suc... Trustee by said ...Trust, will on Jan... 2013 at 1:00 p.m. at ...el and customary ... at the Shelby ...Tennessee, Court... ...ill at public outcry ...ighest bidder for ...credit upon the in... ...ess secured if the ...wner and holder ...is the successful ...r), the following... ...d property: ...RTHEAST ONE ...RACT OF THE ...GRAY AND J.C. ..., 8.65 ACRE ...IN OLD ARLING... ...E SECTION 2, ... 4, SHELBY ... TENNESSEE ...NG MORE PAR... ...LY ... DE... ... BY METES ...UNDS AS FOL...

Notice of the Right to Foreclose was sent to the Borrower by letter dated August 21, 2012.

NOW, THEREFORE, said Successor Trustee, or agent hereof, pursuant to said Deed of Trust, having been requested by the Holder so to do, and by virtue of the authority and power vested in said Successor Trustee by said Deed of Trust, will on January 02, 2013 at 1:00 p.m., at the usual and customary location at the Madison County, Tennessee, Courthouse, sell at public outcry to the highest bidder for cash (or credit upon the indebtedness secured if the lawful owner and holder thereof is the successful purchaser), the following-described property:

SITUATED IN THE 5TH CIVIL DISTRICT OF MADISON COUNTY, TENNESSEE, AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A STAKE IN THE SOUTHERLY MARGIN OF LANWAY COVE AT THE NORTHEAST CORNER OF LOT NO.38 IN SECTION IV OF LANDMARK ESTATES, A PLAT OF WHICH APPEARS OF RECORD IN PLAT BOOK 3, PAGE 93, REGISTER'S OFFICE OF MADISON COUNTY, TENNESSEE; RUNS THENCE SOUTH 40 DEG. 14.9 MIN. WEST WITH THE EASTERLY MARGIN OF SAID LOT NO.38 A DISTANCE OF 123.9 FEET, MORE OR LESS, TO A STAKE; THENCE SOUTH 24 DEG. 12.5 MIN. EAST A DISTANCE OF 110 FEET TO A CONCRETE CORNER MARKER; THENCE NORTH 37 DEG. 47 MIN. EAST, WITH THE WESTERLY LINE OF SAID LOT NO.37 A DISTANCE OF 210 FEET TO

...COUNTY, TENNESSEE. BEING THE SAME PROPERTY CONVEYED TO INGLEWOOD HOMES, LLC BY WARRANTY DEED FROM MIKE MURPHY BUILDERS, LLC, A TENNESSEE LIMITED LIABILITY COMPANY, DATED 7/15/05 AND RECORDED 8/3/05 OF RECORD AT INSTRUMENT NO. 05123868, IN THE REGISTER'S OFFICE OF SHELBY COUNTY, TENNESSEE. BEING THE SAME PROPERTY CONVEYED TO FRANK R. PRESLEY D/B/A PRESLEY HOMES BY WARRANTY DEED FROM INGLEWOOD HOMES, LLC, DATED 2/10/06 AND RECORDED 2/20/06 OF RECORD AT INSTRUMENT NO. 06023290, IN THE REGISTER'S OFFICE OF SHELBY COUNTY, TENNESSEE. BEING THE SAME PROPERTY CONVEYED TO RAY MADISON AND TAMEKA MADISON, MARRIED BY WARRANTY DEED FROM FRANK R. PRESLEY D/B/A PRESLEY HOMES, DATED 11/29/06 AND RECORDED 12.5.06 OF RECORD AT INSTRUMENT NO.06177117, IN THE REGISTER'S OFFICE OF SHELBY COUNTY, TENNESSEE.

For informational purposes only, this property is commonly known as 4465 Whisperwood Drive, Collierville, TN 38017, Parcel ID C0258Z C00042.

The property shall be free from all right and equity of redemption, statutory or otherwise, homestead, dower, courtesy, elective share, and all other exemptions that are expressly waived in said Deed of Trust, and the title is believed to be good, but the Successor Trustee will sell and convey only as Successor Trustee, "as is" and "where is" and without covenants of seizing or warranties of title.

Listing of Subordinate Lienholders: N/A

Listing of Other Interested Parties: N/A

This sale is subject to items: easements; encumbrances; property taxes; rights of redemption of taxing entities; all matters shown on any recorded plat(s) or plat(s); any unpaid taxes; any restrictive covenants, easements or setback lines that may be applicable; any statutory rights of redemption of any governmental agency, state or federal; any prior liens or encumbrances as well as any priority created by a fixture filing; any matter that an accurate survey of the premises might disclose; and other matters which are prior in right to the lien of the aforesaid Deed of Trust.

If a high bidder fails to close a sale, the Successor Trustee shall have the option of making the sale to the next highest bidder. The sale held pursuant to this Notice may be rescinded at the Successor Trustee's option at any time. The right is reserved to adjourn the sale to another day, time and/or place certain without further publication, upon announcement at the time and place for the sale set forth above, or at any date and time fixed by a preceding postponement. Alternatively, at its option, Successor Trustee may

Successor Trustee may give a new notice of sale.

Weissman Nowack Curry & Wilco, PC

One Alliance Center, 4th

File #: 01...

NOTIFICATION OF INTENT TO APPLY FOR A Certificate of Need

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §68-11-1601, et seq., and the Rules of the Health Services and Development Agency, that Spinal Health Care Associates, P.C. ("Applicant"), 8132 Cordova Road, Suite 101, Cordova, TN 38106, owned by Rick Woods, D.C., 8132 Cordova Road, Suite 102, Cordova, TN 38106, and managed by itself, intends to file an application for a Certificate of Need for establishment of a specialty ambulatory surgical treatment center ("ASTC") providing only manipulation under anesthesia ("MUA") services. This new ASTC will be located in an existing building, and will have one (1) procedure room, one (1) exam room, one (1) recovery room, along with other related space. This Applicant will provide only MUA and related services, which are minimal surgical procedures and no operative surgical procedures will be performed. There are no beds and no major medical equipment involved with this project. No other health services will be initiated or discontinued. It is proposed that the specialty ASTC will be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be approximately $474,667, which includes the cost of the filing fee.

The anticipated date of filing the application is: December 14, 2012.

The contact person for this project is: E. Graham Boles, Jr., Attorney who may be reached at 5401 Kingston Pike, Suite 300, Knoxville, TN 37919, 865/310-3200.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

...Instrument 0004823, Register's Office for Madison County, Tennessee, from ...ing the present owner/holder of said indebtedness, has now re...

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Select Specialty Hospital-Memphis (a long term acute care hospital, owned and managed by Select Specialty Hospital-Memphis, Inc. (a corporation), intends to file an application for a Certificate of Need to add twenty-eight (28) long term acute care beds to its facility located in leased space at St. Francis Hospital, 5959 Park Avenue, Memphis, TN 38119. The project cost as CON purposes is estimated at $6,930,000. This project contains no major medical equipment and does not add or discontinue any core health service.

Select Specialty Hospital is currently licensed by the Board for Licensing Healthcare Facilities (TN Department of Public Health) for forty-nine (49) long term acute care beds. Select Specialty has received State approval for licensure of ten (10) additional long term acute care beds without CON review, under a statutory exemption available to hospitals of fewer than 100 beds. Upon its implementation, Select will be licensed for forty-nine (49) long term acute care beds, so that the twenty-eight (28) bed expansion proposed in this Certificate of Need application would increase the Select license to seventy-seven (77) long term acute care beds. St. Francis Hospital, which is leasing these beds to Select, will reduce its current 819-bed general hospital license by 10 beds to reflect the approved 10-bed expansion of Select through the CON exemption process, and will reduce its license by 28 more beds if this CON application is approved. The net effect of these changes will be that the project will not change the service area's total licensed complement of general acute care plus long term acute care hospital beds.

The anticipated date of filing the application is on or before December 14, 2012. The contact person for this project is John Watkins, who may be reached at Development Support Group, 4214 Hillsboro Road, Suite 209, Nashville, TN 37215, (615) 665-1018.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency, Andrew Jackson Building,
500 Deaderick Street, Suite 850, Nashville, Tennessee 37243

Pursuant to TCA Sec. 68-11-1607(c)(1), (A) any health care institution wishing to oppose a Certificate of Need application must file a written objection with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled, and (B) any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

...just landed a spot o...

2012 DEC 14 PM 3 42

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

JOHN WELLBORN, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

SIGNATURE/TITLE

Sworn to and subscribed before me this 14 day of December (Month), 2012 (Year) a Notary

Public in and for the County/State of Davidson / Tennessee.

NOTARY PUBLIC

My commission expires August 16 (Month/Day), 2016 (Year).

BEVIN M. SHELLENBERGER
STATE OF TENNESSEE NOTARY PUBLIC
WILSON COUNTY

My Commission Expires August 6, 2016

Copy

Supplemental #1

Select Specialty Hospital - Memphis

CN1212-062

DSG Development Support Group

SUPPLEMENTAL- # 1
December 21, 2012
01:16pm

2012 DEC 21 PM 12 20

December 20, 2012

Mark Farber, Assistant Executive Director
Health Services and Development Agency
161 Rosa Parks Boulevard
Nashville, Tennessee 37203

RE: Certificate of Need Application CN1212-062
Select Specialty Hospital-Memphis, Inc.

Dear Mr. Farber:

This letter responds to your recent request for additional information on this application. The items below are numbered to correspond to your questions. They are provided in triplicate, with affidavit.

1. **Section A, Applicant Profile, Item 6**
Please submit a fully executed First Amendment to the Lease Agreement or an Option to Lease that indicates that the First Amendment to the Lease Agreement will be executed upon approval of this application.

The applicant anticipates that an option to lease the additional floor will be fully executed by the parties this week, and will be submitted under separate cover, immediately thereafter.

2. **Section A, Applicant Profile, Item 13**
a. Does the applicant anticipate establishing a contract with United Healthcare Community Plan?
b. Why did TennCare Select deny a contract request?

The application was in error with respect to these plans. Attached is a revised page 4R. The applicant is in fact contracted with both TennCare Select and with BlueCare (the largest enrollment in the area).

On August 29, 2012, United's representative emailed Select Specialty that United preferred to negotiate on a case-by-case basis, rather than to have a contract. Select therefore has no reason to apply for a contract so soon after this decision.

4219 Hillsboro Road, Suite 203
Nashville, TN 37215

jwdsg@comcast.net

Tel 615.665.2022
Fax 615.665.2042

3. Section B, Project Description, Item I.
Please describe the conditions that are typical for defining a long-term acute patient and the typical treatments and services provided to these patients.

LTACHS care for extremely ill patients who have been stabilized in a general acute care hospital, but remain too ill to be transferred to acute rehabilitation, skilled nursing, or home care. Most are elderly. They are medically fragile or unstable. They typically require acute care of several weeks' duration beyond what a short-term acute care hospital can afford to provide, with limited reimbursement from Medicare and commercial payors. Medicare has created this "second stage" environment especially for such patients, providing reimbursement for extended care beyond what a short-term hospital's DRG is designed to pay for. Typical lengths of stay in an LTACH exceed 25 days.

Typical conditions suitable for admission to LTACH include chronic respiratory disorders and other pulmonary conditions; cardiac, neurological, and renal conditions; infections and severe wounds. Many are medically complex cases, with a combination of issues that often require cardiac monitoring, long term antibiotic and nutritional therapies, pain control, and continued life support. One of Select Specialty Memphis's special strengths is its acceptance of ventilator-dependent patients, and their successful weaning from the ventilator. Programs of care are provided for patients with serious conditions such as multiple nervous system disorders, cardiovascular disorders, extended antibiotic therapy, patients with tracheotomies, ventilators, dialysis, TPN, burn care, oncological complications, dopamine for renal infusion, and numerous other post-surgical and complex medical conditions.

Services required for these patients include acute care nursing (5-8 hours per day), therapies (PT, OT, RT, Speech), diagnostic laboratory and imaging tests, surgery, nutritional control, and any type of service provided in the typical acute care setting. In this and other LTACH's, however, as indicated in the application, the host hospital contracts to provide many of these services within the LTACH itself, or downstairs in the hospital departments (surgery, imaging, etc.).

4. Section B, Project Description, Item II.A.
Please provide documentation from CMS that verifies the end of the LTACH bed moratorium at the end of 2012.

Please see the memorandum from CMS following this page. It is dated July 23, 2010. It notes that the Affordable Care Act extended the ending date of the moratorium until December 28, 2012.

Also, please see similar additional CMS materials at the back of this supplemental submission.

For more specific and detailed reference:

a. The Medicare, Medicaid, and SCHIP Extension Act of 2007 prohibited the establishment and classification of new LTACHs or satellites during the three calendar years (2008-2010) commencing on December 29, 2007.

b. The Patient Protection and Affordable Care Act subsequently extended this moratorium for an additional two years to December 28, 2012.

c. The Centers for Medicare & Medicaid Services applied the moratorium in its regulations at 42 CFR 412.23(e)(6), which states that "for the period beginning December 29, 2007 and ending December 28, 2012, a moratorium applies to the establishment and classification of a long-term care hospital or long-term care hospital satellite facility."

d. In a memorandum to State Survey Agency Directors, CMS specifically noted that "the Affordable Care Act extended the ending date of the moratorium from December 28, 2010 to December 28, 2012".

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-12-25
Baltimore, Maryland 21244-1850

CENTERS for MEDICARE & MEDICAID SERVICES

Center for Medicaid, CHIP, and Survey & Certification/Survey & Certification Group

Ref: S&C-10-25-Hospitals

DATE: July 23, 2010

TO: State Survey Agency Directors

FROM: Director
Survey and Certification Group

SUBJECT: Extension of Long-Term Care Hospital (LTCH) Moratorium

Memorandum Summary

- **LTCH Moratorium Extended:** A statutory moratorium prevents, with certain exceptions, the establishment of new LTCHs, an increase in existing LTCHs' number of certified beds, or the establishment of a satellite by an existing LTCH. The Affordable Care Act extended the ending date of the moratorium from December 28, 2010 to December 28, 2012.
- **No Changes to Administration of Moratorium:** The rules and policy for administering the moratorium, including the exceptions, the criteria for granting exceptions, and the methods to evaluate requests for exceptions, are not altered. Regional Offices must to rely upon the guidance in S&C-08-26, as updated by S&C-09-32.

Hospitals seeking to be excluded from the Medicare Hospital Inpatient Prospective Payment System for the first time as an LTCH must have a provider agreement with Medicare and must have an average Medicare inpatient length of stay (LOS) greater than 25 days, as provided under the existing regulations at 42 CFR 412.23(e)(1) and (e)(2)(i), which implement section 1886(d)(1)(B)(iv)(I) of the Social Security Act,. The Medicare Administrative Contractor (MAC) or legacy Fiscal Intermediary (FI), as applicable, verifies whether the hospital meets the average LOS requirement.

Section 114(d) of the Medicare, Medicaid, and SCHIP Extension Act (MMSEA) (Pub. L. 110-173), enacted December 29, 2007, established a three-year moratorium on the designation of new LTCHs or LTCH satellites, and on an increase of beds in an LTCH. The moratorium began on December 29, 2007 and was originally scheduled to end on December 28, 2010. However, Section 3106(a) of the "Affordable Care Act" (ACA) extended the ending date of the moratorium by two years. Therefore, the LTCH moratorium is now scheduled to end December 28, 2012. The LTCH moratorium regulation at §42 CFR 412.23(e)(6) will be updated to reflect that revision in the law.

S&C-08-26, issued June 13, 2008 and S&C-09-32, issued on April 17, 2009 provided detailed guidance on the process Centers for Medicare & Medicaid Services (CMS) Regional Offices and MACs/legacy fiscal intermediaries must use for evaluating applications for an exception to the moratorium under Section 114(d) of MMSEA. With the exception of the change in the moratorium end date, this guidance continues in effect. Copies of these memoranda are attached for your convenience.

Questions: If you have questions about the LTCH moratorium exception requirements, please contact Judith Richter via e-mail at Judith.richter@cms.hhs.gov. Survey and Certification operational questions should be directed to David Eddinger via e-mail at david.eddinger@cms.hhs.gov.

Effective Date: This guidance is effective immediately. Please ensure that all certification personnel are appropriately informed as to using this guidance within 30 days of this memorandum.

Training: The information contained in this letter should be shared with all survey and certification staff, their managers, and the State/RO training coordinators.

/s/
Thomas E. Hamilton

Attachments:

1. Expansion of Moratorium Exception on Classification of Long-Term Care Hospitals (LTCH) or Satellites/Increase in Certified LTCH Beds
2. Moratorium on Classification of Long-Term Care Hospitals (LTCH) or Satellites/Increase in Certified LTCH Beds

cc: Survey and Certification Regional Office Management

Section B, Project Description, Item II.C.

a. Please provide the applicant referral source mix (locations from where patients are referred). What percentage of the applicant's patients are referred from St. Francis Hospital? Will this change after project completion? Is the applicant currently complying with the 25% threshold limit pertaining to referrals from the host hospital? If the applicant is receiving more than 25% of its referrals from St. Francis, please discuss the impact and ramifications of this situation.

The referenced rule applies to Medicare admissions, not total admissions. Once called the "25% Rule", it has evolved somewhat.

Currently, no more than 50% of Select's total Medicare admissions can come from St. Francis, its host hospital, through 11-30-13. From 12-1-13 onward, that limit will be reduced to 25%, which is also the limit with respect to other admissions sources--except for the Baptist and Methodist systems.

Admissions from Baptist and Methodist can be up to 27.41% and 35.35% respectively, because both systems have a Medicare designation as a "market-dominant" provider to Medicare in their region. (Percentages apply to each licensed hospital or hospitals sharing a common provider number.)

During CY2012, approximately 20.2% of Select Specialty Hospital's Medicare admissions have been referred from St. Francis Hospital. In CY2011, this percentage was 20.5%. So Select is in compliance with the referral limitation rules of Medicare.

These percentages from St. Francis are not projected to change significantly after project completion. Select has always been, and will continue to be, in compliance with Medicare limitations on host hospital referrals.

Following this page are new historical and projection tables showing total and Medicare admissions from source hospitals. Select currently has no admissions from sources other than hospitals. In future years, between 1% and 2% of new admissions from patients' homes are anticipated by management.

SUPPLEMENTAL TABLE–HISTORICAL & PROJECTED ADMISSIONS TO SELECT SPECIALTY HOSPITAL-MEMPHIS BY REFERRAL SOURCE

1. LTACH Admissions to Select Specialty-Memphis ALL PAYOR CLASSES by Referral Source-Historical and Projected

Facility/Year	2009	2010	2011	2012	2014	2015	2016	2017
St. Francis Hospital	143	123	90	104	150	162	172	186
St. Francis-Bartlett	49	42	27	46	60	65	70	72
Baptist Mem. Hospitals	52	51	45	45	55	58	62	66
Methodist Healthcare Hospitals	116	116	103	139	151	158	165	170
The MED	45	27	40	29	29	31	32	32
Surrounding County Hospitals	59	67	113	98	225	271	333	351
Service Area Nursing Homes								
Patient Homes				5	7	8	9	10
Other Referral Sources								
TOTALS	464	426	418	466	677	753	843	887

2. LTACH Admissions to Select Specialty-Memphis MEDICARE ONLY by Referral Source-Historical and Projected

Facility/Year	2009	2010	2011	2012	2014	2015	2016	2017
St. Francis Hospital	103	83	60	63	95	105	112	124
St. Francis-Bartlett	28	25	23	34	47	50	53	55
Baptist Mem. Hospitals	43	37	31	34	45	48	52	55
Methodist Healthcare Hospitals	72	60	67	87	98	105	112	116
The MED	29	12	20	17	17	18	19	20
Surrounding County Hospitals	48	45	92	73	167	196	236	245
Service Area Nursing Homes								
Patient Homes				4	5	5	6	6
Other Referral Sources								
TOTALS	323	262	293	312	474	527	590	621

3. LTACH Admissions to Select Specialty-Memphis PERCENT OF MEDICARE ADMISSIONS BY SOURCE by Referral Source-Historical and Projected

Facility/Year	2009	2010	2011	2012	2014	2015	2016	2017
St. Francis Hospital	31.9%	31.7%	20.5%	20.2%	20.0%	19.9%	19.0%	20.0%
St. Francis-Bartlett	8.7%	9.5%	7.8%	10.9%	9.9%	9.5%	9.0%	8.9%
Baptist Mem. Hospitals	13.3%	14.1%	10.6%	10.9%	9.5%	9.1%	8.8%	8.9%
Methodist Healthcare Hospitals	22.3%	22.9%	22.9%	27.9%	20.7%	19.9%	19.0%	18.7%
The MED	9.0%	4.6%	6.8%	5.4%	3.6%	3.4%	3.2%	3.2%
Surrounding County Hospitals	14.9%	17.2%	31.4%	23.4%	35.2%	37.2%	40.0%	39.5%
Service Area Nursing Homes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Patient Homes	0.0%	0.0%	0.0%	1.3%	1.1%	0.9%	1.0%	1.0%
Other Referral Sources	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTALS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Hospital records.

b. Please complete the following chart:

LTACH Total Admissions to Select Specialty-Memphis
(by Referral Source-Historical and Projected

Facility/Year	2011	2012	2014	2015	2016	2017
St. Francis Hospital						
St. Francis-Bartlett						
Baptist Mem. Hospitals (2)						
Methodist Hospitals (4)						
The MED						
Surrounding County Hospitals						
Service Area Nursing Homes						
Patient Homes						
Other Referral Sources						

Please see the tables on the preceding pages, which supply this information and much more.

SUPPLEMENTAL- # 1
December 21, 2012
01:16pm

2012 DEC 21 PM 12 20

6. **Section B, Item III.A.**
What is the size of the site in acres?

The site of St. Francis Hospital is approximately 42 acres. Following this page is an amended site map showing that acreage.

7. **Section B, Item III.B1.**
Should the source for the distance tables read "Google Maps, Dec. 2012" instead of "2013"?

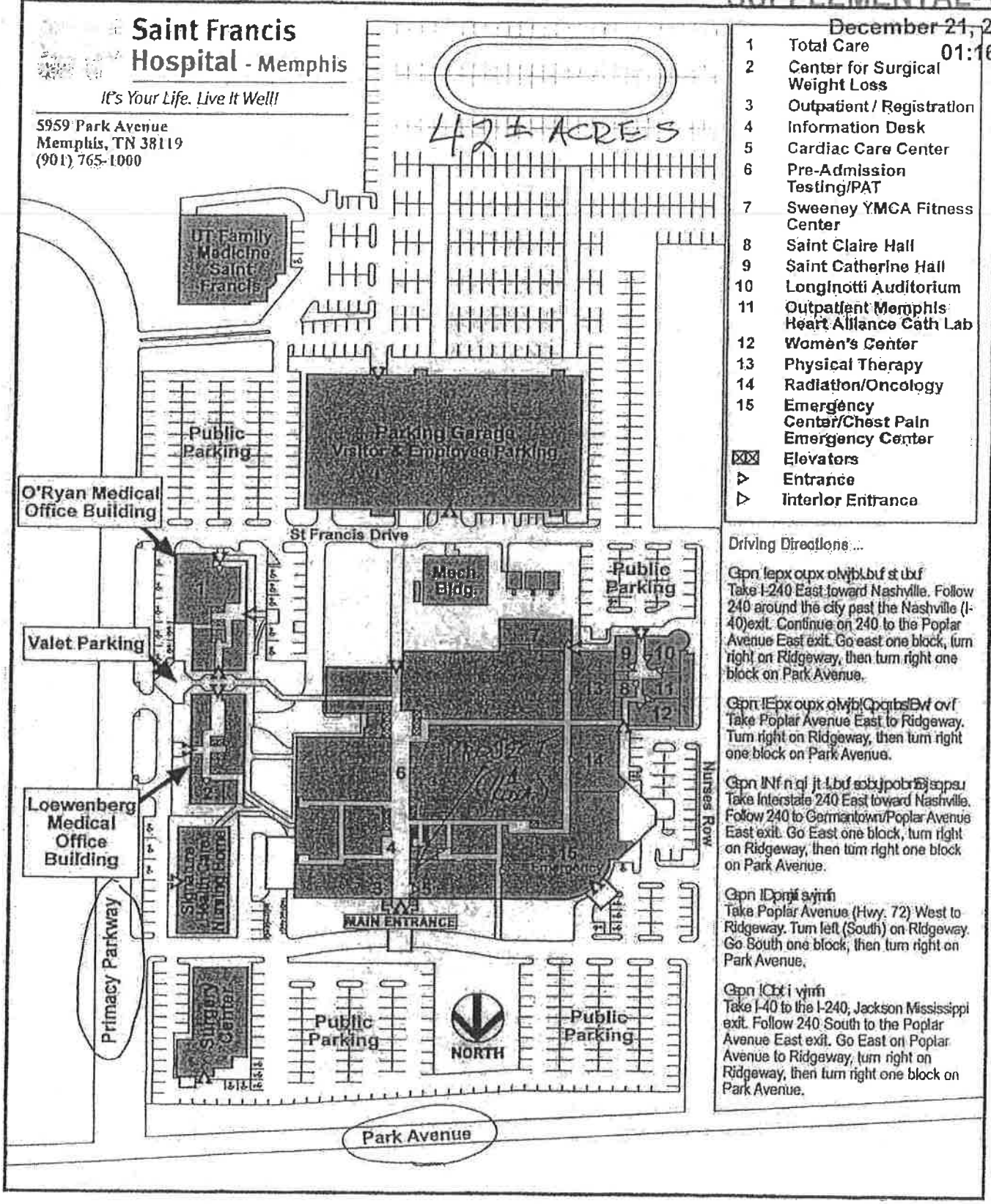
Yes, it should. Thank you. Attached after this page, following the site map, is a revised page 16R with the source footnote's date corrected on both tables.

8. **Section C, Need, Item 1.a. (Long Term Care Hospital Beds-B. Economic Feasibility 1.)**
Please provide the same information for all general acute care hospitals in Shelby County.

Attached after this page, following page 16R, is a revised page 22R with charge data from all Shelby County's general acute care hospitals added to Table Nine. With it is revised page 56R, Table Twenty-Two, with the same data.

9. **Section C, Need, Item 3.**
On page 34, second paragraph, did you mean to state "Only three of the twenty-one counties in this project's declared 43-county service area have shorter drive times to Memphis than to Nashville"?

No; and again thanks. It should read "... shorter drive times *to Nashville than to Memphis*." Attached after this page, following page 56R, is revised page 34R with that phrase corrected. Almost all service area counties are closer to this project than to Nashville LTACH's.



10. Section C, Need, Item 6

a. The methodology for projecting increased utilization is noted; however is the total growth to Year 2017 realistic where patient days are expecting to increase by 90% between 2012 and 2017?

Select fully expects to double its admissions and patient days over the next five years. This is not unrealistic considering that we are dealing with small numbers. For example, the projections for CY2016, when Select will reach 85% occupancy, require only another 31 to 32 admissions per month over current levels.

This will be achieved in two ways--by working with medical staffs and administrations at current referral hospitals to increase the number of patients they refer to LTACH care; and by working with other hospitals in the region to become referral sources.

Review of Federal MEDPAR discharge data and personal meetings with management at both Jackson-Madison General Hospital (Jackson, TN) and North Mississippi Medical Center (Tupelo)--which are established referral sources for Select--have convinced Select that those two facilities can, and will, significantly increase their discharges to LTACH care.

And ten other hospitals in the region have been targeted as potential new referral sources for Select, once more beds become available in Memphis. Select will be a destination for many new referrals because of its reputation. Select offers special care programs of great interest--such as its unusually high success rates in weaning ventilator-dependent patients off their vents--a program developed by working with specialists at Duke Medical School.

It would be an error to regard the level utilization at the Memphis facilities the past four years as indication that no more demand exists. That would only be true if the LTACH's were not full. The fact is that this group of LTACH's have been at full occupancy for years, while turning away admissions. Their admissions have been level only from a lack of beds, caused by a Medicare moratorium that Medicare needed to develop more funding resources for this type of care.

b. Is it also realistic to expect that this much of an increase in bed capacity will not have a significant impact on existing LTACH providers. The recently approved relocation of 24 LTACH beds to The MED will likely result in The Med reducing its current referral of LTACH patients to existing operating providers.

Select does not anticipate that the MED will reduce its current referrals to existing LTACHs. The MED is going to open only 24 LTACH beds. Its CON application documented that the MED has enough qualified patients to fill 78 LTACH beds--54 more than the 24 beds they have just been approved to move to their campus. The MED also said that most of these patients are not now going to LTACH. So it is not clear that the MED's new beds will be filled at the expense of Methodist, Baptist, and Select referrals from the MED.

As for the other providers, Select believes that the majority of its additional admissions will come from hospitals outside Shelby County, for which Select is a closer provider than other LTACH's in other cities. This is based on discussions during site visits and on potential new referrals from smaller hospitals in the region that do not now discharge many patients to Memphis LTACHs.

There does not seem to be a reliable planning formula that can answer the question of how much additional LTACH bed need exists. The Guidelines formula of 0.5 beds per 10,000 service area population is possibly 15 years old. The population has aged since it was deemed appropriate. Aging increases the demand for LTACH services, because 80% of LTACH patients are of Medicare age. The 167 total LTACH beds that Memphis would have if this application is approved would give the service area only 0.7 beds per 10,000 population. It is hard to develop a bed need formula that is precise. And it should be remembered that this project does not construct any new bed spaces at all. It is just a productive use for existing beds that are now vacant.

a. Current approved LTACH beds = 139*
b. LTACH Beds if this CON application is approved = 167
c. CY2015 service area population = 2,433,814
d. 0.5 beds / 10,000 population = projection of 122 bed total need, Yr 2
e. 0.7 beds / 10,000 population = projection of 170 bed total need, Yr 2

* *39 existing+10 approved at Select; 24 approved at MED; 36 existing at Methodist; 30 existing at Baptist*

11. **Section C. Economic Feasibility Item 1 (Project Cost Chart)**
The submission of the letter supporting the construction cost estimate being submitted under separate cover is noted.

The contractor's letter attesting to the adequacy of the estimate is provided following this page. Also provided is the Cost PSF chart for Attachment B.II.A.

12. **Section C, Economic Feasibility, Item 10.**
Which entity will actually be funding this project, Select Specialty-Memphis or its parent Select Medical Corporation? Document where in the financial statements provided are the funds for the proposed project.

Select Specialty-Memphis will fund the project. In Attachment C, Economic Feasibility--10, there is a CY2012 (Jan-Oct) balance sheet for the hospital. Below the "Current Assets" section is a separate section named "Affiliates". In Affiliates, the line item entitled "Advances To" denotes an amount of cash that is held at Select Medical Corporation (the parent) on behalf of Select-Memphis (the hospital). In CY2012 (Jan-Oct) that amount was $14,814,576 (rounded). There is a similarly large fund in the CY2011 balance sheet.

Select-Memphis has access to that amount in the form of cash, to cover the project cost. This will not be treated as a loan from corporate; the hospital will not be charged interest on it. In practical terms, it is like a hospital savings account held at the parent company to earn interest. It is funded from prior years' earnings by this hospital, and held for its needs.

BRASFIELD & GORRIE
GENERAL CONTRACTORS

December 20, 2012

Melanie Hill, Executive Director
Tennessee Health Services and Development Agency
161 Rosa Parks Boulevard
Nashville, TN 37203

RE: Select Specialty Hospital Memphis
Renovation of 11th Floor Nursing Unit – LTACH Beds

Dear Mrs. Hill:

We have reviewed Select Medical Corporation's construction cost estimate of $2,059,315 for renovation of a 21,677 SF nursing floor at Saint Francis Hospital, for additional LTACH beds. Based on discussions with Select's design and construction staff, and on our experience with similar projects, and on our knowledge of the current healthcare market, it is our opinion that this construction cost estimate is reasonable and sufficient to accomplish the proposed renovation.

Below is a summary of the current building codes that would apply to the project. This may not be totally inclusive, but it expresses Select's intent to address all applicable codes and standards, whether local, State, or Federal, in the design and construction of this project. The undersigned is a licensed contractor in the State of Tennessee.

- Guidelines for the Design and Construction of Health Care Facilities (current)
- Rules of the Tennessee Board for Licensing of Healthcare Facilities
- Standard Building Code
- National Electrical Code
- NFPA (National Fire Protection Code)
- ADA (Americans with Disabilities Act)

Sincerely,

Brasfield & Gorrie
Michael J. Dunn, Senior Project Manager
State of Tennessee ID # 00027321 Expiration date: 05/31/2013

cc: Dan Blaker, Select Medical Corporation
Todd Jackson, Brasfield & Gorrie

BRASFIELD AND GORRIE, LLC
3021 7th Avenue South Birmingham, Alabama 35233
P: 205.328.4000 F: 205.251.1304 W: BrasfieldGorrie.com

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost/ SF		
					Renovated	New	Total	Renovated	New	Total
Eleventh Floor										
Saint Francis Hospital										
38 Patient Rooms		7600 SF			7600 SF	0	7600 SF	$141.00	na	$1,071,600.00
Support Areas		14,077 SF			14,077 SF	0	14, 077 SF	$70.17	na	$987,715.00
B. Unit/Depart. GSF Sub-Total										
C. Mechanical/ Electrical GSF										
D. Circulation /Structure GSF										
E. Total GSF		21,677 SF			21,677 SF		21,677 SF	$95.00	$0	$2,059,315.00

13. **Section C, Economic Feasibility, Item 11.**

Has the applicant considered the alternative of delaying this project to evaluate the utilization of the recently added ten beds allowed by the "under 100 hospital bed" exemption and then adding additional ten bed increments if needed utilizing the exemption in the future.

Yes, but as stated on page 12 of the application, Select is offering to lease, license and renovate the entire floor at one time, prior to moving even the first ten patients onto it, in order to avoid subjecting patients on that floor to annual phased construction on that floor over the next four years. There are serious issues involved in construction in or near occupied nursing units. Phasing would make the project more costly and would increase patient risks from noise, infection issues, dust, etc.

Select believes that the better course of action is for the HSDA to approve Select's licensure of the remaining 28 beds on this floor, so that the entire floor can be renovated before moving any patients onto it. This would result in 28 more beds being licensed in 2014. The phased approach would result in the very same licensure by 2016--but at greater cost, and greater risk, from almost continuous construction proceeding in the midst of patient care.

14. **Section C, Orderly Development, Item 3.**
Table Twenty-Four is blank. Please complete the table.

Revised page 62R with Table Twenty-Four completed is attached following this page.

15. **Section C, Orderly Development, Item 7.**
Survey findings and Joint Commission findings for Parkridge Medical Center were submitted. Please provide the information for Select Specialty Hospital-Memphis.

Attached at the end of this supplemental response (due to its length) is the required information for this applicant.

16. **Affidavit**
A signed and notarized affidavit must be submitted with each filing of an application and supplemental information. An affidavit was not included with this application. Please submit a completed affidavit for the original application and one for the supplemental information. Please note there is an affidavit form for the original filing and a separate form for supplemental responses.

Please look between the submittal cover letter and the title page of the application. The affidavit is at that location in our photocopy of the December 14 filing. If you do not find it there, please accept the copy attached after this page.

Following this page there are two additional items. First is a revised Table Sixteen (Demography of the Service Area), with the latest 2010 Census median age data for the Tennessee primary service area counties. Second is a revised page 24R, that fills in a Table number that was previously omitted from the narrative.

Thank you for your assistance. We hope this provides the information needed to accept the application into the next review cycle. If more is needed please FAX or telephone me so that we can respond in time to be deemed complete.

Respectfully,

John Wellborn

John Wellborn
Consultant

Table Sixteen: Demographic Characteristics of TN Primary Service Area Counties (Supplemental) Of Select Specialty Hospital-Memphis 2013-2017

Demographic	SHELBY	DYER	FAYETTE	GIBSON	LAUDERDALE	MADISON	McNAIRY	TIPTON	PRIMARY SERVICE AREA	STATE OF TENNESSEE
Median Age-2010 US Census	34.6	39.3	41.9	39.9	36.4	36.8	41.6	36.6	NA	38.0
Total Population-2013	956,126	39,238	39,818	49,303	28,641	101,634	26,476	63,857	1,305,093	6,361,070
Total Population-2017	983,298	40,042	41,841	49,878	29,626	104,914	26,908	67,365	1,343,872	6,575,165
Total Population-% Change 2013 to 2017	2.8%	2.0%	5.1%	1.2%	3.4%	3.2%	1.6%	5.5%	3.0%	3.4%
Age 65+ Population-2013	103,296	5,910	5,968	8,634	3,937	13,277	4,910	7,541	153,465	878,496
% of Total Population	10.8%	15.1%	15.0%	17.5%	13.7%	13.1%	18.5%	11.8%	11.8%	13.8%
Age 65+ Population-2017	118,044	6,515	7,093	9,081	4,442	15,013	5,290	8,748	174,226	987,074
% of Population	12.0%	16.3%	17.0%	18.2%	15.0%	14.3%	19.7%	13.0%	13.0%	15.0%
Age 65+ Population-% Change 2013-2017	14.3%	10.2%	19.0%	5.2%	12.8%	13.1%	7.7%	16.0%	13.5%	12.4%
Median Household Income	$46,102	$38,909	$57,437	$37,577	$34,078	$40,667	$34,953	$50,869	$42,574	$43,314
TennCare Enrollees (08/12)	231,988	9,467	5,686	11,115	7,326	21,161	7,017	11,615	305,375	1,211,113
Percent of 2012 Population Enrolled in TennCare	24.3%	24.1%	14.3%	22.5%	25.6%	20.8%	26.5%	18.2%	23.4%	19.0%
Persons Below Poverty Level (2012)	192,181	7,534	4,659	8,825	7,246	19,514	5,957	9,770	255,686	1,049,577
Persons Below Poverty Level As % of Population (US Census)	20.1%	19.2%	11.7%	17.9%	25.3%	19.2%	22.5%	15.3%	18.9%	16.5%

Sources: TDH Population Projections, Feb. 2008; U.S. Census;
TennCare Bureau. PSA data is unweighted average or total of county data.
NR means not reported in U.S. Census source document.

The Joint Commission

SUPPLEMENTAL- # 1
December 21, 2012
01:16pm

May 27, 2010

Jeffery Denney
COO
Select Specialty Hospital - Memphis, Inc.
5959 Park Avenue, 12th Floor
Memphis, TN 38119

Joint Commission ID #: 148160
Program: Hospital Accreditation
Accreditation Activity: 60-day Evidence of Standards Compliance
Accreditation Activity Completed: 05/27/2010

Dear Mr. Denney:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

- Comprehensive Accreditation Manual for Hospitals

This accreditation cycle is effective beginning February 19, 2010. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 39 months.

Please visit Quality Check® on The Joint Commission web site for updated information related to your accreditation decision.

We encourage you to share this accreditation decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the Centers for Medicare and Medicaid Services (CMS), state or regional regulatory services, and the public you serve of your organization's accreditation decision.

Please be assured that The Joint Commission will keep the report confidential, except as required by law. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

Ann Scott Blouin RN, PhD

Ann Scott Blouin, RN, Ph.D.
Executive Vice President
Accreditation and Certification Operations

The Joint Commission

June 29, 2009

Salvatore M. Iweimrin
COO
Select Specialty Hospital - Memphis, Inc.
5959 Park Avenue, 12th Floor
Memphis, TN 38119

Joint Commission ID #: 148160
Program: Laboratory Accreditation
Accreditation Activity: 60-day Evidence of Standards Compliance
Accreditation Activity Completed: 06/29/2009

Dear Mr. Iweimrin:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

- Comprehensive Accreditation Manual for Laboratory and Point-of-Care Testing

This accreditation cycle is effective beginning April 16, 2009. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 25 months.

Please visit Quality Check® on The Joint Commission web site for updated information related to your accreditation decision.

The following laboratory services have been surveyed under Joint Commission standards in accordance with the Clinical Laboratory Improvement Amendments of 1988 :

CLIA# 44D0927731 for the specialties and subspecialties of Routine Chemistry.

We encourage you to share this accreditation decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the Centers for Medicare and Medicaid Services (CMS), state or regional regulatory services, and the public you serve of your organization's accreditation decision.

Please be assured that The Joint Commission will keep the report confidential, except as required by law. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

Ann Scott Blouin RN, PhD

Ann Scott Blouin, RN, Ph.D.
Executive Vice President
Accreditation and Certification Operations

SUPPLEMENTAL- # 1
December 21, 2012
01:16pm

The Joint Commission

Select Specialty Hospital - Memphis, Inc.
5959 Park Avenue, 12th Floor
Memphis, TN 38119

Organization Identification Number: 148160

Evidence of Standards Compliance (60 Day) Submitted: 6/29/2009

Program(s)
Laboratory Accreditation

Executive Summary

Laboratory Accreditation : As a result of the accreditation activity conducted on the above date(s), there were no Requirements for Improvement identified.

If you have any questions, please do not hesitate to contact your Account Representative.

Thank you for collaborating with The Joint Commission to improve the safety and quality of care provided to patients.

SUPPLEMENTAL- # 1

December 21, 2012
01:16pm

The Joint Commission
Summary of Compliance

Program	Standard	Level of Compliance
LAB	IM.6.180	Compliant
LAB	QC.1.73	Compliant
LAB	QC.1.75	Compliant
LAB	QC.5.10	Compliant
LAB	QC.6.30	Compliant

3138-01818

SUPPLEMENTAL- # 1
December 21, 2012
01:16pm

The Joint Commission

April 23, 2009

Salvatore M. Iweimrin
COO
Select Specialty Hospital - Memphis, Inc.
5959 Park Avenue, 12th Floor
Memphis, TN 38119

Joint Commission ID #: 148160
Program: Laboratory Accreditation
Accreditation Activity: Unannounced Full Event
Accreditation Activity Completed: 04/15/2009

Dear Mr. Iweimrin:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high - quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

With that goal in mind, your organization received Requirement(s) for Improvement during its recent survey. These requirements have been summarized in the Accreditation Report provided by the survey team that visited your organization.

Please be assured that The Joint Commission will keep the report confidential, except as required by law. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Please visit Quality Check® on The Joint Commission web site for updated information related to your accreditation decision.

Sincerely,

Ann Scott Blouin RN, PhD

Ann Scott Blouin, RN, Ph.D.
Executive Vice President
Accreditation and Certification Operations

SUPPLEMENTAL- # 1
December 21, 2012
01:16pm

The Joint Commission

Select Specialty Hospital - Memphis, Inc.
5959 Park Avenue, 12th Floor
Memphis, TN 38119

Organization Identification Number: 148160

Program(s)
Laboratory Accreditation Program

Surveyor(s) and Survey Date(s)
Nancy J. Cacciatore-Huber, MT - (04/15 - 04/15/2009)

Executive Summary

As a result of the survey conducted on the above date(s), the following survey findings have been identified. Your official report will be posted to your organization's confidential extranet site. It will contain specific follow-up instructions regarding your survey findings.

If you have any questions, please do not hesitate to contact your Account Representative.

Thank you for collaborating with The Joint Commission to improve the safety and quality of care provided to patients.

The Joint Commission
Summary of Findings

SUPPLEMENTAL- # 1
December 21, 2012
01:16pm

DIRECT Impact Standards:

Program:	Laboratory Accreditation Program	
Standards:	NPSG.01.01.01	EP3

INDIRECT Impact Standards:

Program:	Laboratory Accreditation Program	
Standards:	IM.6.160	EP1
	QC.1.73	EP3
	QC.1.75	EP3
	QC.5.10	EP4
	QC.6.30	EP5

SUPPLEMENTAL- # 1
December 21, 2012
01:16pm

Select Specialty Hospital

FAX COVER SHEET

TO: Stephanie M. **FROM:** Jeff Denny

TO FAX: **FROM FAX:**

DATE: 717-635-3138

CC: **SUBJECT:** Surveys

NUMBER OF PAGES (INCLUDING COVER):

MESSAGE:

Called Question.

JD

Notice of Confidentiality

"The information contained in this fax transmission is intended only for the individual(s) named above. Such information is confidential and may be legally privileged. If you have received this fax transmission in error, please notify me immediately by using the telephone number set forth below so that I may arrange for this fax transmission to be returned to me or destroyed. If the recipient of this fax transmission is not the individual(s) named above, such recipient is hereby notified that this fax transmission may not be copied, disseminated, distributed or otherwise disclosed to others."

3138 - 08562

SUPPLEMENTAL- # 1
December 21, 2012
01:16pm

The Joint Commission

Select Specialty Hospital - Memphis
5959 Park Avenue, 12th Floor
Memphis, TN 38119

Organization Identification Number: 148160

Date(s) of Survey: 2/21/2007 - 2/23/2007

PROGRAM(S)
Hospital Accreditation Program

SURVEYOR(S)
Bonnie L. Briggle, MHA, RN

Executive Summary

As a result of the accreditation activity conducted on the above date, your organization must submit Evidence of Standards Compliance (ESC) within 45 days from the day this report is posted to your organization's extranet site. If your organization does not make sufficient progress in the area(s) noted below, your accreditation may be negatively affected.

The results of this accreditation activity do not affect any other Requirement(s) for Improvement that may exist on your current accreditation decision.

717-635-3138

SUPPLEMENTAL- # 1
December 21, 2012
01:16pm

The Joint Commission
Accreditation Survey Findings

Requirement(s) for Improvement

These are the Requirements for Improvement related to the Primary Priority Focus Area:

Assessment and Care/Services

Standard: PC.11.40

Program: HAP

Standard Text: Any use of restraint (to which these standards apply) is initiated pursuant to either an individual order (standard PC.11.50) or an approved protocol (standard PC.11.60), the use of which is authorized by an individual order.

Secondary Priority Focus Area(s): N/A

Element(s) of Performance

Scoring Category : A
1. Restraint (except for restraint initiated under a protocol as described in standard PC.11.60) is used upon the order of a licensed independent practitioner.*
* This standard is not to be construed to limit the authority of a licensed independent practitioner to delegate tasks to other qualified health care staff (that is, physician assistants and nurse practitioners) to the extent recognized under state law or a state's regulatory mechanism. In the states that allow this delegation, hospitals that permit these individuals to order restraint for medical or surgical reasons are considered to be in compliance with this standard.

Surveyor Findings

EP 1
Observed in the Patient Care Unit at Select Specialty Hospital -Memphis site.
No physician order was written for restraints for two days as required by hospital policy and regulation.

Observed in the Patient Care Unit at Select Specialty Hospital -Memphis site.
No physician order was written for restraints for four days as required by hospital policy and regulation.

The Joint Commission
Accreditation Survey Findings

Requirement(s) for Improvement

These are the Requirements for Improvement related to the Primary Priority Focus Area:

Quality Improvement Expertise/Activities

Standard: Requirement 2C

Program: HAP

Standard Text: Measure, assess, and if appropriate, take action to improve the timeliness of reporting, and the timeliness of receipt by the responsible licensed caregiver, of critical test results and values.

Secondary Priority Focus Area(s): Patient Safety

Element(s) of Performance

Scoring Category : A
4. The organization collects data on the timeliness of reporting critical results/values.

Surveyor Findings

EP 4
Observed in the Data System Tracer at Select Specialty Hospital -Memphis site.
The organization has not been able to collect data on the timeliness of reporting critical results/values due to inconsistent documentation by staff. A process had been recently been implemented to capture the data for analysis.

SUPPLEMENTAL- # 1
December 21, 2012
01:16pm

The Joint Commission
Accreditation Survey Findings

Life Safety Code

Inpatient Occupancy Existing Healthcare Occupancies; Section V - Exits

Requirement: EC.A.5K.1

Phrase: Existing Health Care Occupancies Exit signs are: readily visible from any direction of access. (EC.A.5K)(EC.A.5K.1)

Surveyor Findings:

At the end of both corridors in the unit, there was only one readily visible exit sign rather than the required two exit signs.

The Joint Commission
Accreditation Survey Findings

Supplemental Findings

These are the Supplemental Findings related to the Primary Priority Focus Area of:

Assessment and Care/Services

Standard: PC.11.100

Program: HAP

Standard Text: Each episode of restraint use is documented in the patient's medical record, consistent with hospital policies and procedures.

Secondary Priority Focus Area(s) Information Management

Element(s) of Performance

Scoring Category : C
2. Documentation includes the following:

Relevant orders for use
Results of patient monitoring
Reassessment
Significant changes in the patient's condition

Surveyor Findings

EP 2
Observed in the Patient Care Unit at Select Specialty Hospital -Memphis site.
Documentation of the monitoring of the patient in restraints was not complete for four days as required by hospital policy.

Observed in the Patient Care Unit at Select Specialty Hospital -Memphis site.
In a second patient tracer, documentation of the monitoring of the patient in restraints was not complete for three days as required by hospital policy.

The Joint Commission

Accreditation Survey Findings

Supplemental Findings

These are the Supplemental Findings related to the Primary Priority Focus Area of:

Organizational Structure

Standard: HR.2.10

Program: HAP

Standard Text: The hospital provides initial orientation.

Secondary Priority Focus Area(s) Orientation & Training

Element(s) of Performance

Scoring Category : B
1. The hospital determines what key elements of orientation should occur before staff provide care, treatment, and services.

Surveyor Findings

EP 1
Observed in the Competency Assessment System Tracer at Select Specialty Hospital -Memphis site. The organization has not determined the key elements of orientation that should occur before the contract dialysis and housekeeping staff provide care, treatment and services.

Standard: IM.1.10

Program: HAP

Standard Text: The hospital plans and designs information management processes to meet internal and external information needs.

Secondary Priority Focus Area(s) Information Management

Element(s) of Performance

Scoring Category : B
1. The hospital bases its information management processes on an assessment of internal and external information needs.

The assessment identifies the flow of information throughout a hospital, including information storage and feedback mechanisms.
The assessment identifies the data and information needed: within and among departments, services, or programs; within and among the staff, the administration, and the governance for supporting relationships with outside services and contractors; with licensing, accrediting, and regulatory bodies; with purchasers, payers, and employers; for supporting informational needs between the hospital and the patients; and for participating in research and databases.

Surveyor Findings

EP 1
Observed in the Pharmacy Department at Select Specialty Hospital -Memphis site.
Access to the automated medication dispensing machine at the organization was evaluated by reviewing the most recent three nursing terminations. One of the three nurses continued to have access one week after termination. The Human Resources staff was responsible to notify the Pharmacy Director of terminations. The Human Resources staff member was a new employee and this process had not been addressed in orientation.

SUPPLEMENTAL- # 1
December 21, 2012
01:16pm

The Joint Commission
Accreditation Survey Findings

Supplemental Findings

These are the Supplemental Findings related to the Primary Priority Focus Area of:

Patient Safety

Standard: EC.6.20

Program: HAP

Standard Text: Newly constructed and existing environments are designed and maintained to comply with the Life Safety Code®.

Secondary Priority Focus Area(s) Physical Environment

Element(s) of Performance

Scoring Category : B
1. Each building in which patients are housed or receive care, treatment, and services complies with the LSC, NFPA 101® 2000; OREach building in which patients are housed or receive care, treatment, and services does not comply with the LSC, but the resolution of all deficiencies is evidenced through the following:

An equivalency approved by the Joint Commission Or

Continued progress in completing an acceptable Plan For Improvement (Statement of Conditions™, Part 4)

Surveyor Findings

See Life Safety Code Report

SUPPLEMENTAL- # 1
December 21, 2012
01:16pm

Supplemental Findings

These are the Supplemental Findings related to the Primary Priority Focus Area of:

Rights & Ethics

Standard: RI.2.60

Program: HAP

Standard Text: The hospital addresses the wishes of the patient relating to end of life decisions.

Secondary Priority Focus Area(s) Communication

Element(s) of Performance

Scoring Category : C
21. The policies are consistently implemented.

Surveyor Findings

EP 21
Observed in the Patient Care Unit at Select Specialty Hospital -Memphis site.
The advance directive section of the initial nursing assessment was not completed as required by the organization's policy and procedure. Documentation did not support any follow up to obtain this information. The patient was admitted to the organization on December 8, 2006.

Observed in the Patient Care Unit at Select Specialty Hospital -Memphis site.
On a second individual tracer, the advance directive section of the initial nursing assessment was not completed as required by the organization's policy and procedure. Documentation did not support any follow up to obtain this information. The patient was admitted to the organization on February 16, 2007.

The Joint Commission

Select Specialty Hospital - Memphis, Inc.
5959 Park Avenue, 12th Floor
Memphis, TN 38119

Organization Identification Number: 148160

Evidence of Standards Compliance Received: 4/19/2007

PROGRAM(S)

Hospital Accreditation Program

Executive Summary

As a result of the accreditation activity conducted on the above date, your organization must submit a Measure of Success (MOS) within four (4) months from the day this report is posted to your organization's extranet site. If your organization does not make sufficient progress in the area(s) noted below, your accreditation may be negatively affected.

- The results of this accreditation activity do not affect any other Requirement(s) for Improvement that may exist on your current accreditation decision.

Program	Standard	Level of Compliance
HAP	PC.11.40	Compliant
HAP	Requirement 2C	Compliant

The Joint Commission

Select Specialty Hospital - Memphis, Inc.

5959 Park Avenue, 12th Floor

Memphis, TN 38119

Organization Identification Number: 148160

Date(s) of Survey: 4/19/2007 - 4/19/2007

PROGRAM(S)

Laboratory Accreditation Program

SURVEYOR(S)

Kathleen F. Cross, MT

Executive Summary

As a result of the accreditation activity conducted on the above date, your organization must submit Evidence of Standards Compliance (ESC) within 45 days from the day this report is posted to your organization's extranet site. If your organization does not make sufficient progress in the area(s) noted below, your accreditation may be negatively affected.

The results of this accreditation activity do not affect any other Requirement(s) for Improvement that may exist on your current accreditation decision.

SUPPLEMENTAL- # 1
December 21, 2012
01:16pm

The Joint Commission

Accreditation Survey Findings

Requirement(s) for Improvement

These are the Requirements for Improvement related to the Primary Priority Focus Area:

Staffing

Standard: QC.1.40

Program: LAB

Standard Text: The laboratory performs proficiency sample testing in the same manner as patient sample testing.

Secondary Priority Focus Area(s): N/A

Element(s) of Performance

Scoring Category : B
2. Proficiency samples are tested along with the laboratory's regular patient testing workload by staff that perform the laboratory's testing.Note: Proficiency testing samples should be rotated among the personnel who perform the test.

Surveyor Findings

EP 2
Observed in Proficiency Testing at Select Specialty Hospital - Memphis, Inc. site for CLIA # 44D0927731.
The blood gas laboratory was not rotating proficiency testing specimens among the testing personnel. All proficiency testing was assayed by one of three employees and the patients' samples could be tested by one of eighteen employees. It is recommended that proficiency testing specimens be rotated among testing personnel so they are truly treated as patient specimens. The results also may be used in assessing personnel competency.

The Joint Commission

Select Specialty Hospital - Memphis, Inc.
5959 Park Avenue, 12th Floor
Memphis, TN 38119

Organization Identification Number: 148160

Evidence of Standards Compliance Received: 6/7/2007

PROGRAM(S)

Laboratory Accreditation Program

Executive Summary

There is no follow-up due to the Joint Commission as a result of the accreditation activity conducted on the above date.

The results of this accreditation activity do not affect any other Requirement(s) for Improvement that may exist on your current accreditation decision.

Program	Standard	Level of Compliance
LAB	QC.1.40	Compliant

The Joint Commission

Select Specialty Hospital - Memphis, Inc.
5959 Park Avenue, 12th Floor
Memphis, TN 38119

Organization Identification Number: 148160
Measure of Success Received: 8/29/2007

PROGRAM(S)

Hospital Accreditation Program

Executive Summary

There is no follow-up due to The Joint Commission as a result of the accreditation activity conducted on the above date.

The results of this accreditation activity do not affect any other Requirement(s) for Improvement that may exist on your current accreditation decision.

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
WEST TENNESSEE HEALTH CARE FACILITIES
781-B AIRWAYS BOULEVARD
JACKSON, TENNESSEE 38301

February 4, 2009

Mr. David Key, Administrator
Select Specialty Hospital
5959 Park Avenue, 12th Floor
Memphis, TN 38119

RE: Licensure Survey

Dear Mr. Key:

On January 12, 2009 a licensure survey was completed your facility. Your plan of correction for this survey has been received and was found to be acceptable.

Thank you for the consideration shown during this survey.

Sincerely,

Celia Skelley, MSN, RN
Public Health Nurse Consultant II

CES/TJW

SUPPLEMENTAL- # 1
December 21, 2012
01:16pm

2012 DEC 21 PM 12 21

STATE OF TENNESSEE

COUNTY OF DAVIDSON

JOHN WELLBORN, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

SIGNATURE/TITLE

Sworn to and subscribed before me this 14 day of December, 2012 a Notary
(Month) (Year)

Public in and for the County/State of Davidson / Tennessee.

NOTARY PUBLIC

My commission expires August 16, 2016.
(Month/Day) (Year)

BEVIN M. SHELLENBERGER
STATE OF TENNESSEE NOTARY PUBLIC
WILSON COUNTY

My Commission Expires August 6, 2016

SUPPLEMENTAL # 1

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP531147	A. BUILDING _____ B. WING _____	01/12/2009

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
SELECT SPECIALTY HOSPITAL MEMPHIS	5959 PARK AVENUE MEMPHIS, TN 38119

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG
H 675	1200-8-1-.06 (4)(b) Basic Hospital Functions (4) Nursing Services. (b) The hospital must have a well-organized service with a plan of administrative authority and delineation of responsibilities for patient care. The chief nursing officer must be a licensed registered nurse who is responsible for the operation of the service, including determining the types and numbers of nursing personnel and staff necessary to provide nursing care for all areas of the hospital. This Rule is not met as evidenced by: Based on facility policy, medical record review, observation and interview, it was determined the nursing services failed to be organized in a manner to ensure assessments were accurate to trigger appropriate nutritional consults and physician's orders were followed for 3 of 5 (Patients # 2, 4 and 5) patients reviewed. The findings included: 1. Review of facility policy revealed the facility used an initial nutrition screen with a numerical system to ensure patients at moderate or high nutritional risk were referred for a nutrition consult. The assessment documented that a number 3 or higher required a referral to the Registered Dietitian (RD). Medical record review revealed Patient #4 was admitted on 1/8/09 with an infected surgical site and a stage 4 sacral wound. The assessment for this patient documented the patient had a wound and was assessed a 3 or at moderate risk on the initial nursing nutrition screen.	H 675

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVES SIGNATURE

TATE FORM 6899

29 1 of 9 #1

3138 - 08627

Tag - # H 675:

Nursing Services

#1) Assessments and Communications with Dietary

1. Upon admission, the admitting/primary nurse will complete assessment. Triggers and prompts on admission assessment may indicate nutritional consult.
2. Process in place on 1/16/09
   a. Admitting/Primary Nurse will log nutritional consult in Dietary Referral Log
   b. Admitting/Primary Nurse will write an order for nutritional consult
   c. Unit secretary will enter order in system and records order number on medical record and log book
   d. RD to view Dietary Referral Log book and computer ordering system daily for any new consults
   e. RD will have admission assessment available for reference via nurse chart.
3. Nursing staff will be required to under go training. Failure to do so will result in suspension pending completion. Training will begin on 1/26/09 by Manager and DCS and will be completed by all nursing staff by 2/28/2009. Ongoing education will be via memos, education board, shift safety briefings and staff meetings.

FORM APPROVED 01/14/2009

December 21, 2012 01:16pm

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP531147	A. BUILDING _____ B. WING _____	01/12/2009

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
SELECT SPECIALTY HOSPITAL MEMPHIS	5959 PARK AVENUE MEMPHIS, TN 38119

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG
H 675	1200-8-1-.06 (4)(b) Basic Hospital Functions (4) Nursing Services. (b) The hospital must have a well-organized service with a plan of administrative authority and delineation of responsibilities for patient care. The chief nursing officer must be a licensed registered nurse who is responsible for the operation of the service, including determining the types and numbers of nursing personnel and staff necessary to provide nursing care for all areas of the hospital. This Rule is not met as evidenced by: Based on facility policy, medical record review, observation and interview, it was determined the nursing services failed to be organized in a manner to ensure assessments were accurate to trigger appropriate nutritional consults and physician's orders were followed for 3 of 5 (Patients # 2, 4 and 5) patients reviewed. The findings included: 1. Review of facility policy revealed the facility used an initial nutrition screen with a numerical system to ensure patients at moderate or high nutritional risk were referred for a nutrition consult. The assessment documented that a number 3 or higher required a referral to the Registered Dietitian (RD). Medical record review revealed Patient #4 was admitted on 1/8/09 with an infected surgical site and a stage 4 sacral wound. The assessment for this patient documented the patient had a wound and was assessed a 3 or at moderate risk on the initial nursing nutrition screen.	H 675

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TATE FORM 6899 N

3138-08628

Page 1 of 9 #2

4. Staff failure to follow process once training complete will be subject to disciplinary action up to termination.
5. Audits will occur weekly times 12 weeks by Nurse Manager, and DCS starting 2/2/09, then ongoing randomly through December 2009 to assure compliance of >90%.
6. Results will be shared with staff at meetings, and posted on staff PI board.
7. Results will also be reported by DCS in monthly QAPI meetings and quarterly to MEC and Governing Board. Audit results will be reported through December 2009.

Tag - # H-675

Nursing Services
#2 Calorie Counts

1. Order will be written by RD or physician for calorie count
2. RD to email DCS and DQM when calorie count order written for "real time" staff compliance monitoring to start 2/3/09.
3. Nursing staff will be required to under go training on calorie count importance and documentation. Failure to do so will result in suspension pending completion. Training will start on 1/26/09 by Nurse Manager and DCS and will be completed by all nursing staff by 2/28/2009. Ongoing education regarding calorie counts will be via memos, education board, shift safety briefings and staff meetings.

SUPPLEMENTAL # 1

December 21, 2012

Division of Health Care Facilities

01:16pm.

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP531147	A. BUILDING _____ B. WING _____	01/12/2009

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
SELECT SPECIALTY HOSPITAL MEMPHIS	5959 PARK AVENUE MEMPHIS, TN 38119

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG
H 675	Continued From page 1 Medical record review revealed Patient #5 was admitted on 1/6/09 with respiratory distress and with a stage 3 wound. The assessment for this patient documented a 6 on the initial nursing nutrition screen or at high risk. During an interview on 1/12/09, at 2:01 PM, the RD confirmed nutrition services had not received an order for a nutrition consult for either Patient #4 or Patient #5. The RD stated he/she was not aware Patient #4 had a wound when he/she did the nutrition assessment. During an interview on 1/12/09, at 2:44 PM, the Clinical Director confirmed both Patients #4 and 5 should have had an order for a nutrition consult. He/she stated the system nursing services was using to contact for nutrition services was not working. During an interview on 1/12/09, at 2:44 PM, the wound care nurse stated he/she had just completed the wound assessment with pictures and staging. The nurse confirmed this information had not been in the medical record when the nutrition assessment was completed on 1/9/09 by the RD. 2. Medical record review for Patient #2 documented a physician's order dated 1/7/09 for a 72 hour Calorie Count from 1/8/08 - 1/10/09. Review of the "Calorie Count" documentation for 1/9/09 revealed no information had been documented. During an interview on the meeting on 1/12/09 at 3:05 PM, the RD verified the Calorie Count information was incomplete.	H 675

Division of Health Care Facilities
STATE FORM 6899

3138-08629 Page 2 of 9 #1

4. Staff failure to follow process after training complete will be subject to disciplinary action up to termination.
5. RD to email DCS calorie count result on each patient starting 2/3/09.
6. RD will be educated on DCS communication process by DCS/DQM by 2/2/09.
7. Audits will occur weekly times 12 weeks by Nurse Manager and DCS starting 2/2/09, then randomly to assure compliance of >90%.
8. Results will be shared with staff at meetings, and posted on staff PI board.
9. Results will also be reported by DCS in monthly QAPI meetings and quarterly to MEC and Governing Board. Audit results will be reported through December 2009.

Tag - # H-675

Nursing Services Part 2 of #2:
Nutritional Supplements

1. Nursing Staff will be required to under go training on Treatment Administration Record and documentation. Failure to do so will results in suspension pending completion. Training will start on 1/26/09 by Nurse Manager and DCS and will be completed by all nursing staff by 2/28/2009. Ongoing education of dietary supplements will be via memos, education board, shift safety briefings and staff meetings.
2. Staff failure to follow process once training complete will be subject to disciplinary action up to termination.
3. Audits will occur weekly times 12 weeks by Nurse Manager and DCS

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP531147	A. BUILDING _____ B. WING _____	01/12/2009

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY,
SELECT SPECIALTY HOSPITAL MEMPHIS	5959 PARK AVENUE MEMPHIS, TN 38119

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG
H 675	Continued From page 1 Medical record review revealed Patient #5 was admitted on 1/6/09 with respiratory distress and with a stage 3 wound. The assessment for this patient documented a 6 on the initial nursing nutrition screen or at high risk. During an interview on 1/12/09, at 2:01 PM, the RD confirmed nutrition services had not received an order for a nutrition consult for either Patient #4 or Patient #5. The RD stated he/she was not aware Patient #4 had a wound when he/she did the nutrition assessment. During an interview on 1/12/09, at 2:44 PM, the Clinical Director confirmed both Patients #4 and 5 should have had an order for a nutrition consult. He/she stated the system nursing services was using to contact for nutrition services was not working. During an interview on 1/12/09, at 2:44 PM, the wound care nurse stated he/she had just completed the wound assessment with pictures and staging. The nurse confirmed this information had not been in the medical record when the nutrition assessment was completed on 1/9/09 by the RD. 2. Medical record review for Patient #2 documented a physician's order dated 1/7/09 for a 72 hour Calorie Count from 1/8/08 - 1/10/09. Review of the "Calorie Count" documentation for 1/9/09 revealed no information had been documented. During an interview on the meeting on 1/12/09 at 3:05 PM, the RD verified the Calorie Count information was incomplete.	H 675

Division of Health Care Facilities
STATE FORM 6899

starting 2/2/09, then randomly to assure compliance of >90%
4. Results will be shared with staff at meetings, and posted on staff PI board.
5. Results will also be reported by DCS in monthly QAPI meetings and quarterly to MEC and Governing Board. Audit results will be reported through December 2009.

Tag - # H-733

Food and Dietetic Services:
#1) Wound Assessments:

1. Wound assessments will be done on admission by admitting nurse.
2. RD will review wound assessments on medical record or in nurse chart.
3. For any nutritional consults ordered upon admission, RD will review chart and nurse assessment for determination of patient's nutritional needs.
4. RD will be educated on process by 2/2/09 by DCS or DQM.
5. Failure of RD to follow process once training completed will be reported to host Director of Nutrition Services and will be subject to termination of contracted employment at SSH for this individual.
6. Audits will occur weekly times 12 weeks by Nurse Manager and DCS starting 2/2/09, then randomly to assure compliance of >90%
7. Results will be shared with staff at meetings, and posted on staff PI board.
8. Results will also be reported by DCS in monthly QAPI meetings and quarterly to MEC and Governing Board. Reports of audits will be reported through December 2009.

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TN#531147	A. BUILDING _____ B. WING _____	01/12/2009

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
SELECT SPECIALTY HOSPITAL MEMPHIS	5959 PARK AVENUE MEMPHIS, TN 38119

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE	(X5) COMPLETE DATE
H 675	Continued From page 2 Medical record review for Patient #4 revealed an order, dated 1/9/09, for Enure plus with meals . During an interview on 1/12/09, at 1:00 PM, Patient #4 stated he/she had not receive any ensure until lunch on 1/11/09 and then received 2 cans at the same meal. The Patient further stated he/she did not receive any ensure at the dinner meal on 1/11/09 or for breakfast on 1/12/09. On 1/12/09, the Physician again ordered Ensure plus at 1 can TID (three times each day). During an interview on 1/12/09, at 2:30 PM, the Clinical Nurse Manager was unable to find any documentation the Ensure plus had been given prior to 1/11/09.	H 675	Tag – #H-733 Food and Dietetic Services #2) Nutritional Assessments upon admission: 1. Upon admission, the admitting/primary nurse will complete assessment. Triggers and prompts on admission assessment may indicate nutritional consult. 2. Process in place on 1/16/09 a. Admitting/Primary Nurse will log nutritional consult in Dietary Referral Log b. Admitting/Primary Nurse will write an order for nutritional consult c. Unit secretary will enter order in system and records order number on medical record and log book d. RD to view Dietary Referral Log book and computer ordering system daily for any new consults e. RD will have admission assessment available for reference via nurse chart. 3. Nursing staff will be required to under go training. Failure to do so will result in suspension pending completion. Training will start on 1/26/09 by Nurse Manager and DCS and will be completed by all nursing staff by 2/28/2009. Ongoing education will be via memos, education	
H 733	1200-8-1-.06 (9)(c) Basic Hospital Functions (9) Food and Dietetic Services. (c) There must be a qualified dietitian, full time, part-time, or on a consultant basis who is responsible for the development and implementation of a nutrition care process to meet the needs of patients for health maintenance, disease prevention and, when necessary, medical nutrition therapy to treat an illness, injury or condition. Medical nutrition therapy includes assessment of the nutritional status of the patient and treatment through diet therapy, counseling and/or use of specialized nutrition supplements. This Rule is not met as evidenced by: Based on facility policy, medical record review,	H 733		

SUPPLEMENT # 1
FORM APPROVED
December 21, 2012

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP531147	A. BUILDING _____ B. WING _____	01/12/2009

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
SELECT SPECIALTY HOSPITAL MEMPHIS	5959 PARK AVENUE MEMPHIS, TN 3811"

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG
H 676	Continued From page 2 Medical record review for Patient #4 revealed an order, dated 1/9/09, for Ensure plus with meals . During an interview on 1/12/09, at 1:00 PM, Patient #4 stated he/she had not receive any ensure until lunch on 1/11/09 and then received 2 cans at the same meal. The Patient further stated he/she did not receive any ensure at the dinner meal on 1/11/09 or for breakfast on 1/12/09. On 1/12/09, the Physician again ordered Ensure plus at 1 can TID (three times each day). During an interview on 1/12/09, at 2:30 PM, the Clinical Nurse Manager was unable to find any documentation the Ensure plus had been given prior to 1/11/09.	H 676
H 733	1200-8-1-.06 (9)(c) Basic Hospital Functions (9) Food and Dietetic Services. (c) There must be a qualified dietitian, full time, part-time, or on a consultant basis who is responsible for the development and implementation of a nutrition care process to meet the needs of patients for health maintenance, disease prevention and, when necessary, medical nutrition therapy to treat an illness, injury or condition. Medical nutrition therapy includes assessment of the nutritional status of the patient and treatment through diet therapy, counseling and/or use of specialized nutrition supplements. This Rule is not met as evidenced by: Based on facility policy, medical record review,	H 733

board, shift safety briefings and staff meetings.
4. Audits will occur weekly times 12 weeks by Nurse Manager, and DCS starting 2/2/09, then ongoing randomly to assure compliance of >90%.
5. Results will be shared with staff at meetings and posted on staff PI board.
6. Results will also be reported by DCS in monthly QAPI meetings and quarterly to MEC and Governing Board. Audit results will be reported through December 2009.

Tag - #H-733

Food and Dietetic Services
#3 & #4) Wound and Dietary Assessment and Implementation of Orders

1. RD will review wound assessments on medical record or in nurse chart.
2. Wound care RN or Charge Nurse will notify DCS of any wound care admissions for additional follow up on nutritional screening and order implementation.
3. RD will be required to under go training on wound care manual and protocols, and location and accessibility of the wound care manual for reference by 2/2/2009. Failure to complete training will result in termination of contracted employment at SSH for this individual.
4. In-service information and signature sheet will be filed in the in-service manual by 2/9/09 at host facility.

Division of Health Care Facilities

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	TNP531147	A. BUILDING _____ B. WING _____	01/12/2009

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
SELECT SPECIALTY HOSPITAL MEMPHIS	5959 PARK AVENUE MEMPHIS, TN 38119

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H 733	Continued From page 3 observation and interview, it was determined the facility RDs failed to follow the facility guidelines for developing a nutrition assessment to meet patient needs to heal pressure ulcers for 2 of 6 (Patient's # 4 and 6) reviewed and to ensure a Physician ordered calorie count was completed for Patient #4. The findings included: 1. Review of the hospital clinical services policy and procedure for patients with wounds, titled "Approach for Wound Care" revealed the following documentation: "Our wound care mission is to ensure prevention of new wounds and appropriate healing of present wound... Team members may include...ET Nurse and Dietician... The process for initiation of wound care included,.:. Nurse (RN) does an admission assessment....photographs wounds... Wound team members do an assessment and make recommendations to the MD (Medical Doctor)." 2. Review of the hospital wound assessment policy and procedure revealed the following documentation: "All patients admitted for wound care will have a comprehensive nutritional assessment done within 72 hours of admission. The goal ... is to ensure that the diet of the patient with a wound contains nutrients adequate to support healing... This normally consists of 30-35 calories/kg (kilogram)/day and 1.25-1.5 grams of protein/kg/day. For severe wounds, this may need to be increased to 40 calories/kg/day and 2.0 grams of protein/kg/day." 3. Patient #4 was admitted on 1/8/09 with	H 733	5. Quarterly random chart reviews will be conducted to ensure patient care is in compliance with protocols by host facility RD Manager. 6. RD Manager quarterly chart review results will be shared with SSH DCS and DQM for compliance. 7. Results will also be reported by DCS/DQM quarterly to MEC and Governing Board. Audit results will be reported through December 2009.	

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Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TN#531147	A. BUILDING _____ B. WING _____	01/12/2009

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
SELECT SPECIALTY HOSPITAL MEMPHIS	5959 PARK AVENUE MEMPHIS, TN 38119

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H 733	Continued From page 4 diagnoses which included an infected right hip with methicillin resistant staph (MRSA) and Sepsis. On 1/9/09, at 7:45 AM, the Physician progress notes documented, "Skin care and decubitus protection and care of ulcer on bottom.... Wound care consult." On 1/9/08 the wound care nurse documented the wound to be a stage 4 sacral wound. The wound was measured to be 3.5 centimeters (cm) in length and 2.5 cm in width. The right hip incision was 4.6 cm with 1.5 cm of tunneling. The initial nutrition assessment done by the facility RD on 1/9/09 at 12:15 PM documented under diagnosis "...hardware removal from hip (bilateral hip surgery)". There was no documentation of a wound. This assessment documented the patient's height at 5 foot 3 inches and a current weight at 103 pounds. By skin assessment was documented, "to be assessed." The estimated calorie requirement was documented as 1100-1300 calories rather than the 1404-1872 calories using facility protocol of 30-40 calories kg for wound healing. Protein was estimated at 55-65 grams of protein rather than 68 grams of protein or higher for a severe wound according to facility protocol. During an interview on 1/12/09, at 2:01 PM, the RD stated he/she was not aware patient #4 had a wound. He/she confirmed the nutrition assessment was completed prior to the nursing wound assessment completed on 1/9/09 also. The RD stated he/she had not received a request for a nutrition consult based on the initial nursing nutrition assessment. 4. Patient #5 was admitted on 1/6/09, with diagnoses which included respiratory failure and	H 733		

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SUPPLEMENTAL # 1

PRINTED: 01/14/2009
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December 21, 2012

Division of Health Care Facilities

04:16pm

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TN#531147	A. BUILDING _____ B. WING _____	01/12/2009

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
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H 733	Continued From page 5 bowel obstruction. The resident's height was 64 inches and the weight 139 pounds. On 1/7/09, the wound care nurse documented a sacral stage 3 wound 2.5 cm by 1.0 cm in the wound care progress note. On 1/7/09, the nutrition assessment, completed by the RD, documented the wound as stage 2 to the sacral area rather than the stage 3 wound documented by the wound care nurse. The RD assessed the patient required 1.0-1.4 gm/kg of protein rather than 1.25-1.5 gm/kg of protein according to facility protocol. The fluid requirement was estimated to be 1260-1575 milliliters (ml) per kg per day using 20-25 ml of fluid per kg, rather then the 1895 ml or a minimum of 1500ml per day that would have been estimated if the facility protocol of 30-35 ml of fluid per kg per day for wounds had been followed. The RD assessed the current tube feeding product to contain 848 ml of free water but did not assess the total current fluid intake to see if it met the patient's nutritional requirements. During an interview on 1/12/09, at 2:00 PM, the facility RD confirmed the assessment did not meet the facility standard of practice.	H 733		
H 738	1200-8-1-.06 (9)(f) Basic Hospital Functions (9) Food and Dietetic Services. (f) Education programs, including orientation, on-the-job training, inservice education, and continuing education programs shall be offered to dietetic services personnel on a regular basis. Programs shall include instruction in personal hygiene, proper inspection, handling, preparation	H 738		

SUPPLEMENTAL # 1

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
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H 738	Continued From page 6 and serving of food and equipment. This Rule is not met as evidenced by: Based on review of dietary policies and procedures, observations and interviews, it was determined the facility failed to provide adequate education programs on sanitation. The findings included: 1. Review of facility continuing education programs revealed only one inservice in the last year on sanitation and this was dated 10/08. 2. During an initial tour of the kitchen on 1/12/09, from 9:30 AM to 10:30 AM, a dietary supervisor was observed washing hands with a procedure that re-contaminated the hands. A dietary employee was questioned and was unable to determine the correct amount of sanitizer in the 3 compartment sink. 3. During an interview on 1/12/09, at 10:30 AM, the Dietary Director confirmed that for 2008, all topics which included sanitation, personal hygiene and instruction on handling food and equipment to ensure adequate sanitation were all presented in this 1 inservice.	H 738	Tag - #H-738 Food and Dietetic Services #1, - #3) In-services, Handwashing and Sanitizer 1) Host staff will be required to under go sanitation in-services and in-services will be documented and signature sheets will be filed in the in-service manual by 2/26/2009. 2) Host staff will be required to under go re-education on proper handwashing technique by 2/26/2009. 3) Nutrition Services employees will be in-serviced on correct sanitizing processes to include PPM by 2/26/09. 4) Host in-service information and signature sheet will be filed in the in-service manual. 5) All ongoing in-services will be documented with signature sheets and filed in in-service manual. 6) Select Specialty Hospital COO and DQM will verify all required in-services at host facility have been	
H 742	1200-8-1-.06 (9)(j) Basic Hospital Functions (9) Food and Dietetic Services. (j) Written policies and procedures shall be followed concerning the scope of food services in accordance with the current edition of the "U.S. Public Health Service Recommended Ordinance and Code Regulating Eating and Drinking	H 742		

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SUPPLEMENTAL PRINTED: 01/14/2009
FORM APPROVED
December 21, 2012
01:16pm

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TN#631147	A. BUILDING _____ B. WING _____	01/12/2009

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
SELECT SPECIALTY HOSPITAL MEMPHIS	5959 PARK AVENUE MEMPHIS, TN 38119

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H 738	Continued From page 6 and serving of food and equipment. This Rule is not met as evidenced by: Based on review of dietary policies and procedures, observations and interviews, it was determined the facility failed to provide adequate education programs on sanitation. The findings included: 1. Review of facility continuing education programs revealed only one Inservice in the last year on sanitation and this was dated 10/08. 2. During an initial tour of the kitchen on 1/12/09, from 9:30 AM to 10:30 AM, a dietary supervisor was observed washing hands with a procedure that re-contaminated the hands. A dietary employee was questioned and was unable to determine the correct amount of sanitizer in the 3 compartment sink. 3. During an interview on 1/12/09, at 10:30 AM, the Dietary Director confirmed that for 2008, all topics which included sanitation, personal hygiene and instruction on handling food and equipment to ensure adequate sanitation were all presented in this 1 inservice.	H 738	held by 2/26/2009 and will audit weekly times 8 weeks starting 3/2/09 and randomly through December 2009 to ensure processes of handwashing and sanitation are being followed. 7) Failure of following process will be reported to Director of Nutrition Services. 8) Host employees failing to participate in required education and failure to follow processes will be subject to disciplinary actions per host facility and suspension of involvement with SSH pending completion. 9) Results will also be reported by DQM/COO in monthly QAPI meetings and quarterly to MEC and Governing Board. Audit results will be reported through December 2009.	
H 742	1200-8-1-.06 (9)(j) Basic Hospital Functions (9) Food and Dietetic Services. (j) Written policies and procedures shall be followed concerning the scope of food services in accordance with the current edition of the "U.S. Public Health Service Recommended Ordinance and Code Regulating Eating and Drinking	H 742		

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Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP531147	A. BUILDING _____ B. WING _____	01/12/2009

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
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(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE [illegible] TO THE APPROPRIATE	(X5) COMPLETE DATE
H 742	Continued From page 7	H 742	Tag - #H-742	

Establishments" and the current "U.S. Public Health Service Sanitation Manual" should be used as a guide to food sanitation.

This Rule is not met as evidenced by:
Based on review of dietary policies and procedures, observations and interviews, it was determined the facility failed to follow the facility policy on jewelry use and to follow acceptable standards of practice for hand washing and use of the three compartment sink.

The findings included:

1. Review of facility policies and procedure revealed a policy that stated only wedding bands could be worn by dietary employees and they could not wear earrings or watches.

2. During an initial tour of the kitchen on 1/12/09, at 9:30 AM, a dietary employee was observed wearing earrings which dangled down from the ear.

3. During this tour on 1/12/09, at 9:45 AM, the Surveyor asked the Dietary Director to have someone demonstrate hand washing in the kitchen. A kitchen supervisor washed his/her hands in the hand washing sink, dried the hands and then lifted a cover from a trash can to discard the paper towels thereby recontaminating the hands.

4. During the initial tour of the kitchen, at 10:00 AM, a dietary employee was observed washing pots and pans in the 3 compartment sink. The Surveyor asked the employee to use a test strip to determine if the correct amount of sanitizer

Food and Dietetic Services
1 - # 4) Failure to follow policies

1) Policy discrepancies identified. Policy revisions/updates for type of jewelry allowed to be worn will be completed by 2/23/09 by Director of Nutrition Services.
2) Staff will be required to participate in in-services regarding policy revisions and updates by 2/26/09.
3) Staff will be required to participate in education regarding handwashing technique and 3 compartment sink by 2/26/2009.
4) In-service information and signature sheets will be filed in the in-service manual.
5) Select Specialty Hospital COO and DQM will verify all required in-services at host facility have been held by 2/26/2009 and will audit weekly times 8 weeks starting 3/2/09 and randomly through December 2009 to ensure processes are being followed.
6) Host employees failing to participate in required education and failure to follow processes will be subject to disciplinary action per host facility and suspension of involvement with SSH pending completion.
7) Results will also be reported by DQM/COO in monthly QAPI meetings and quarterly to MEC and Governing Board. Audit results will be reported through December 2009.

SUPPLEMENTAL # 1

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H 742	Continued From page 8 was in the sink. The employee put the test strip into the water. The test strip came out a bright blue/green color. The Surveyor asked the employee if the test strip indicated the correct amount of sanitizer. The employee answered yes but was unable to tell the Surveyor the correct amount of sanitizer. Using the guide, the employee stated the reading was 500 but still stated the amount of sanitizer was correct. During an interview on 1/12/09, at 10:15 AM, the Dietary Manager confirmed the dietary supervisor should not have lifted the trash cover next to the hand washing sink and that the jewelry policy, in the facility policy and procedure manual, was probably old and they allowed stud earrings and watches to be worn in the kitchen.. The Dietary Manager also confirmed the test strip in the 3 compartment sink should have read 200 and there was too much sanitizer in the final rinse. He further stated	H 742		

SUPPLEMENTAL- # 1
December 21, 2012
01:16pm

AFFIDAVIT

2012 DEC 21 PM 12 22

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: SELECT SPECIALTY HOSPITAL-MEMPHIS

I, John Wellborn, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 21st day of Dec., 2012, witness my hand at office in the County of Rutherford, State of Tennessee.

NOTARY PUBLIC

My commission expires August 22, 2016

HF-0043

Revised 7/02

AMANDA L. JONES
STATE OF TENNESSEE NOTARY PUBLIC
RUTHERFORD COUNTY

My Commission Expires Aug. 22, 2016

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F. B. MURPHY, JR.
E. GRAHAM BAKER, JR.

DIRECT TELEPHONE NUMBER: 615/370-3380

2013 MAY 9 PM 1 25

May 8, 2013

Melanie Hill, Executive Director
Health Services and Development Agency
Frost Building, 3rd Floor
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243

Re: Select Specialty Hospital - Memphis, CN1212-062
Opposition Letter

Dear Mrs. Hill:

I represent Shelby County Health Care Corporation, d/b/a Regional Medical Center at Memphis ("The MED"), which owns a 24 bed LTACH in Memphis, Tennessee. On its behalf, I am filing this letter of opposition to the referenced CON application for the addition of twenty-eight (28) long term acute care hospital beds.

There is no need for the addition of long term acute care hospital beds in Shelby County, based on occupancy rates of existing facilities and the fact that our own LTACH has yet to be licensed and in operation. The project is not economically feasible, nor will the addition of these beds contribute to the orderly development of health care in the area.

I and representatives from The MED will attend the May 22, 2013 meeting of the Health Services and Development Agency to more fully discuss the reasons for our opposition.

Sincerely,

E. Graham Baker, Jr.
/np

c: Bret Perisho, CPA, Vice President, The MED
Byron Trauger, Esq.

LETTER OF INTENT -- HEALTH SERVICES & DEVELOPMENT AGENCY

2012 DEC 10 08 8:34

The Publication of Intent is to be published in the Memphis Commercial Appeal, which is a newspaper of general circulation in Shelby County, Tennessee, on or before December 10, 2012, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Select Specialty Hospital-Memphis (a long term acute care hospital), owned and managed by Select Specialty Hospital-Memphis, Inc. (a corporation), intends to file an application for a Certificate of Need to add twenty-eight (28) long term acute care beds to its facility, located in leased space at St. Francis Hospital, 5959 Park Avenue, Memphis, TN 38119. The project cost for CON purposes is estimated at $6,900,000. The project contains no major medical equipment and does not add or discontinue any new health service.

Select Specialty Hospital is currently licensed by the Board for Licensing Healthcare Facilities (TN Department of Public Health) for thirty-nine (39) long term acute care beds. Select Specialty has received State approval for licensure of ten (10) additional long term acute care beds without CON review, under a statutory exemption available to hospitals of fewer than 100 beds. Upon its implementation, Select will be licensed for forty-nine (49) long term acute care beds, so that the twenty-eight (28) bed expansion proposed in this Certificate of Need application would increase the Select license to seventy-seven (77) long term acute care beds. St. Francis Hospital, which is leasing these beds to Select, will reduce its current 519-bed general hospital license by 10 beds to reflect the approved 10-bed expansion of Select through the CON exemption process, and will reduce its license by 28 more beds if this CON application is approved. The net effect of these changes will be that the project will not change the service area's total licensed complement of general acute care plus long term acute care hospital beds. The anticipated date of filing the application is on or before December 14, 2012. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 203, Nashville, TN 37215; (615) 665-2022.

John L. Wellborn 12-9-12 jwdsg@comcast.net

(Signature) (Date) (E-mail Address)

REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF HEALTH STATISTICS
OFFICE OF HEALTH STATISTICS
615-741-1954

DATE: February 28, 2013

APPLICANT: Select Specialty Hospital-Memphis
5959 Park Avenue
Memphis, Tennessee 38119

CON: CN#1212-062

COST: $6,898,392

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Health Statistics, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's Health: Guidelines for Growth, 2000 Edition (2010 Revision)* and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:
The applicant, Select Specialty Hospital-Memphis, owned and managed by Select Specialty Hospital-Memphis, Inc. (a corporation), seeks Certificate of Need (CON) approval to add 28 beds to its facility, located at leased space at St. Francis Hospital, 5959 Park Avenue, Memphis (Shelby County), Tennessee. The project contains no major medical equipment and does not add or discontinue any new health service.

Select Specialty Hospital is currently licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities for 39 long term care beds. Select Specialty has received State approval for licensure of 10 additional long term acute care beds without CON review under the statutory exemption available to hospitals of fewer than 100 beds. Upon its implementation, Select Specialty will be licensed for 49 long term care beds, so that the 28 bed expansion proposed in the CON would increase the Select Specialty's license to 77 long term acute care beds. St. Francis Hospital, which is leasing these beds to Select Specialty, will reduce its current 519-bed general hospital license by 10 beds to reflect the approved 10-bed expansion of Select Specialty through the CON exemption process, and will reduce its license by 28 more beds if this CON application is approved. The net effect of these changes will be that the project will not change the service area's total licensed complement of general acute care beds, plus long term acute care hospital beds.

The project will involve the renovation of 21,677 square feet of space at a cost of $2,059,315 or $95 per square foot. The 2009-2011 acute care construction projects approved by HSDA. The project's $95 per square foot cost is below the first quartile average for renovation of $125 per square foot.

Select Specialty Hospital-Nashville, Inc. is 100% owned by Select Medical Corporation of Mechanicsburg, Pennsylvania, which owns five Tennessee facilities.

The total projected cost of the project is $6,898,392 and will be financed/funded by the hospital from cash reserves currently available. The hospital's intent to finance is provided in Attachment C, Economic Feasibility-Item 2.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2000 Edition (2010 Revision).*

NEED:

The following charts illustrate the applicant's Tennessee primary and secondary service area.

Primary Service Area Total Population Projections for 2013 and 2015

County	2013 Population	2015 Population	% Increase or (Decrease)
Dyer	39,238	39,682	1.0%
Fayette	39,818	41,105	3.2%
Gibson	49,303	49,637	0.7%
Lauderdale	28,641	29,220	2.0%
Madison	101,634	103,431	1.8%
McNairy	26,476	26,722	0.9%
Shelby	956,126	970,591	0.6%
Tipton	63,857	65,839	3.1%
Total	**1,305,093**	**1,326,227**	**1.6%**

Source: *Tennessee Population Projections 2000-2020, February 2008 Revision,* Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics

Secondary Service Area Total Population Projections for 2013 and 2015

County	2013 Population	2017 Population	% Increase or (Decrease)
Benton	16,779	16,903	0.7%
Carroll	29,970	30,243	0.9%
Chester	17,031	17,322	1.7%
Crockett	15,336	15,644	1.8%
Decatur	11,509	11,546	0.3%
Hardeman	30,299	30,941	2.1%
Hardin	26,955	27,465	1.9%
Haywood	19,786	19,949	0.8%
Henderson	28,170	28,626	1.6%
Henry	32,834	33,179	1.0%
Lake	7,393	7,386	-0.1%
Obion	32,839	33,061	0.7%
Weakley	33,970	34,152	0.5%
Total	**302,906**	**306,417**	**1.2%**

Source: *Tennessee Population Projections 2000-2020, February 2008 Revision,* Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics.

Shelby County Long Term Care Hospital Utilization, 2011

Facility	Licensed Beds	Occupancy
Baptist Memorial Restorative Care	30	75.5%
Methodist Extended Care	36	86.3%
Select Specialty Hospital-Memphis	39	94.6%
Total	**105**	**Average: 86.3%**

Source: *Joint Annual Report of Hospitals, 2011,* Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics.

In addition to the above beds, The Med in Memphis has been approved for 24 beds and the applicant added 10 beds per the 10 bed pool. The total active and approved beds in the service area are 139.

Currently, there are only three long term-care hospitals in the entire primary and secondary service area, and all of those are located in Memphis. The above chart provides the 2011 bed total and occupancy rates for those facilities. At these high occupancies, it appears more are long term care hospital beds are appropriate. Currently, there are 129 long term care hospital beds either in service or approved for the service area. Although the bed need formula indicates there is not a need for more beds, the Guidelines

for Growth allows the HSDA Board members to consider bed additions once area wide long term care hospital occupancy reaches 85%, which has been exceeded for at least three years.

The CON statute allows small hospitals with less than 100 beds to add 10 beds every year without CON approval. Without a CON, the 38 total beds Select can lease from St. Francis could be added in stages each year until all 38 beds are licensed in early CY2016, three years from the present. However, staging beds licensure would require staged renovation around patients being hospitalized on that floor. The applicant's alternative being requested in this application will let Select lease and license the remaining 28 beds from St. Francis without delay, making it feasible to invest in renovating the entire floor at the same time. This is a logical alternative to adding 10 beds each year and not subjecting current and future patients to the inconvenience of renovation.

For the 77 bed project in this application, the applicant projects 677 patient days in year one with 19,345 patient days and year two admissions of 753 with 21,535 patient days.

TENNCARE/MEDICARE ACCESS:
The applicant participates in the Medicare and Medicaid programs and contracts with BlueCare and TennCare Select MCOs, and admits United Healthcare Community Plan admissions on a negotiated basis.

The facility had a Q1 thru Q3 2012 payor mix of 80.02% Medicare, 3.3% Medicaid, 15.48% commercial and Workmen's Comp, and 1.3% other. The applicant's projections assume that the Medicare and Medicaid payor mix will remain the same through CY2015.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:
The Department of Health, Division of Policy, Planning and Assessment, Office of Health Statistics have reviewed the Project Costs Chart, the Historical Data Chart (when applicable) and the Projected Data Chart and has determined they are mathematically accurate and the projections based upon the applicant's anticipated level of utilization are mathematically accurate. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Cost Chart is located on page 45 of the CON application. The estimated project cost is $6,898,392.

Historical Data Chart: The Historical Data Chart is located on page 49 of the CON application. The facility reported 13,473 patient days and 94.6% occupancy, 12,680 patient days and 89.1% occupancy, and 13,469 patient days and 94.6% occupancy each year respectively. The net operating income reported was $3,191,077, $1,882,659, and $1,089,237 each year, respectively.

Projected Data Chart: The Projected Data Chart is located on page 50 of the CON application. The applicant projects 677 patient days in year one with 19,345 patient days. In year two admissions are expected to be 753 with 21,535 patient days, with a net operating income of $1,392,585 and $1,672,004 each year, respectively.

The applicant's projected average gross charge for CY2014 is $4,543 per day, with an average deduction of $3,012, resulting in an average net charge of $1,531 per day. The projected CY2015 gross charge per day is $4,675, with an average deduction of $3,127, resulting in an average charge per day of $1,548 per day. The applicant compares their average gross charge with those of other providers on page 56 of the CON application.

The alternative of not adding beds at this location was rejected by the applicant for the following reasons: 1) the hospital has coped with a high occupancy of 93% and routine deferrals of qualified admissions for several years due to lack of bed space. 2) the availability of beds for conversion located immediately below the existing floor offers a feasible opportunity to expand efficiently without relocation or new construction, at a low capital cost. 3) Visits to hospitals and physicians in outlying counties of the service area have convinced hospital management that significant latent additional need for long term

acute inpatient care exists there, which Select can meet if it undertakes the approved and proposed bed expansions.

The applicant reports The Med's representatives have told HSDA that the MED's own demand for these beds from patients using long term care beds in the community, is more than enough to fill completely the 24 beds being acquired and moved to the MED campus.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

Select Specialty Hospital is located within the tertiary St. Francis Hospital. St. Francis is its "host. Select contracts with the host hospital and the host's vendors to deliver the ancillary and support services needed by its patients.

Select Specialty Hospital does not project that this project will have any significant or persistent impact on the other existing long term acute care providers in the service area. The MED, Baptist, and Methodist believe that their occupancies will not be reduced significantly by Select's provision of beds to meet Select's own admission needs.

Select believes any impact this project will have on other providers will be small and of short duration. Select anticipates drawing most of its new patients from large hospital providers outside of Memphis. Currently, eleven hospitals refer patients to Select.

The current and proposed staffing for this project is provided by the applicant of page 63 of the CON application.

The applicant is licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities; certified by Medicare and Medicaid and accredited by The Joint Commission.

The applicant's most recent Joint Commission Survey is provided in Supplemental 1.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2000 Edition* (2010 Revision).

LONG TERM CARE HOSPITAL BEDS

A. Need

1. The need for long term care hospital (LTH) beds shall be determined by applying the guidelines of (0.5) beds per 10,000 population in the service area of the proposal.

The calculated bed need for the service area using the above formula shows a need 122 beds.

Shelby County Long Term Care Hospital Utilization, 2011

Facility	*Licensed Beds*	*Occupancy*
Baptist Memorial Restorative Care	*30*	*75.5%*
Methodist Extended Care	*36*	*86.3%*
Select Specialty Hospital-Memphis	*39*	*94.6%*
Total	***105***	***Average: 86.3%***

*Source: Joint Annual Report of Hospitals, 2011,*Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics

In addition to the above beds, The Med in Memphis has been approved for 24 beds and the applicant added 10 beds per the 10 bed rule. The total active and approved beds in the service area are 139.

2. If the project is a bed addition, existing long term care hospital beds must have a minimum average occupancy of 85%.

The three long term care acute hospitals in the service area reported a combined occupancy 86.3% in the most recent reporting year; two of the three exceeded 86% and Select had 94.6% occupancy.

3. The population shall be the current year's population, projected two years forward.

The Division of Policy, Planning, and Assessment utilized the current population projected two years forward to calculate the bed need.

4. The primary service area cannot be smaller than the applicant's Community Service Area (CSA). If LTH beds are proposed within an existing hospital, CSAs served by the existing facility can be included along with consideration for populations in adjacent states when the applicant provides documentation (such as admission sources from the Joint Annual Report).

The applicant conformed its West Tennessee service area to the boundaries of the West Tennessee CSA. Almost all of the counties in the applicant's admission based service area are within the West Tennessee CSA. Counties in Mississippi and Arkansas are included based on the actual admissions from those out-of-State counties.

B. Economic Feasibility

1. The payer costs of a long-term hospital should demonstrate a substantial saving, or the services should provide additional benefit to the patient over the payer cost or over the provision of short-term general acute care alternatives, treating a similar patient mix of acuity.

Table Nine on page 22 of the application compares the applicant's current charges per patient to those of other long term acute care hospitals in Shelby County.

2. The payer costs should be such that the facility will be financially accessible to a wide range of payers as well as to adolescent and adult patients of all ages.

Adult patients enrolled in commercial, Medicaid, and Medicare insurance programs are served by the facility. The applicant provides a chart on page 23 of the CON application illustrating the payor mix of the facility for CY2011 and YTD 2012.

3. Provisions will be made so that a minimum of 5% of the patient population using long-term acute care beds will be charity or indigent care.

The applicant's Historic and Projected Data Charts for this project do not reflect charity care to uninsured or under insured persons per se, but the applicant states it does provide a substantial amount of uncompensated care.

Select Medical Corporation (the parent company) and its hospitals use the term "FLO' days (meaning "fixed cost outliers") to record uncompensated days of care.

The applicant provides a chart on page 24 of the application illustrating the uncompensated care days using the FLO process.

C. Orderly Development

1. Services offered by the long term care hospital must be appropriate for medically complex patients who require daily physician intervention, 24 hours access per day of professional

nursing (requiring approximately 6-8 hours per patient day of nursing and therapeutic services), and on-site support and access to appropriate multi-specialty medical consultants.

Patient services should be available as needed for the most appropriate provision of care. These services should include restorative inpatient medical care, hyper alimentation, care of ventilator dependent patients, long term antibiotic therapy,
long term pain control, terminal AIDS care, and management of infectious and pulmonary diseases.

Also, to avoid unnecessary duplication, the project should not include services such as obstetrics, advanced emergency care, and other services which are not operationally pertinent to long term care hospitals.

(a) Select Specialty complies with this criterion. The long term acute care beds are located within a 24-hour hospital with a full array of acute care physician specialties available and on-call.

(b) Select Specialty provides care for types of patients listed in this criterion.

(c) Select Specialty Hospital-Memphis has never, and will never, provide the referenced services or any other services not appropriate for long term acute care hospitals.

2. The applicant should provide assurance that the facility's patient mix will exhibit an annual average aggregate length of stay greater than 25 days as calculated by the Health Care Finance Administration (HCFA), and will seek licensure only as a hospital.

Table twelve on page 26 of the CON application provides documentation that this hospital's ALOS exceeds 25 days of care, and is projected to continue to exceed 25 days.

3. The applicant should provide assurance that the projected caseload will require no more than three (3) hours per day of rehabilitation.

Table thirteen on page 26 of the CON application provides nursing and rehabilitation hours per patient in CY2011 and CY 2012 YTD.

4. Because of the very limited statewide need for long term hospital beds, and their high overall acuity of care, these beds should be allocated only to community service areas and be either inside or in close proximity to tertiary referral hospitals, to enhance physical accessibility to the largest concentration of services, patients, and medical specialists.

The applicant is located within a CSA, is within a tertiary care referral hospital, and is within five miles of two other tertiary referral hospitals in Memphis.

5. In order to insure that the beds and the facility will be used for the purpose certified, any certificate of need for a long term care hospital should be conditioned on the institution being certified by the Health Care Financing Administration as a long term care hospital, and qualifying as PPS-exempt under applicable federal guidelines. If such certification is received prior to the expiration date of the certificate of need, as provided in Tennessee Code Annotated (TCA), Section 68-11-108(c), the certificate of need shall expire, and become null and void.

This condition is already met. The applicant is presently certified as a long term hospital and qualified as PPS-exempt.